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100TH CONGRESS
1st Session
SENATE
REPORT
100–236

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATION BILL, 1988

DECEMBER 4 (legislative day, DECEMBER 3), 1987.—Ordered to be printed

Mr. INOUYE, from the Committee on Appropriations,
submitted the following

REPORT

[To accompany S. 1924]

The Committee on Appropriations reports to the Senate the bill (S. 1924), making appropriations for Foreign Assistance and related programs for the fiscal year ending September 30, 1988, and for other purposes, and presents herewith an explanation of the contents of the bill.

Amounts in new budget authority

Fiscal year 1987 appropriations	$14,310,759,197
Fiscal year 1988 amended budget estimate	15,367,612,412
Amount of bill reported to House	13,197,479,404
Amount of bill as reported to Senate	13,067,504,237
Bill as recommended to Senate compared to:	
1987 appropriations	−1,243,254,960
Amended budget estimate	−2,300,108,175
House Committee reported bill	−129,975,167

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SUMMARY TABLE: AMOUNTS IN NEW BUDGET AUTHORITY[1]

Item	Budget estimate	House reported bill	Recommended by Senate committee	Increase (+) or decrease (−), Senate bill compared with	
				Amended budget estimate	House reported bill
Economic assistance—Multilateral	$2,012,696,000	$1,436,519,000	$1,382,091,000	− $630,605,000	+ 54,428,000
Economic assistance—Bilateral	6,377,655,000	5,822,626,000	6,043,574,000	− 334,081,000	+ 220,948,000
Military assistance	5,957,261,000	[2] 5,223,334,000	[2] 5,458,839,000	− 498,422,000	+ 235,505,000
Export assistance	20,000,000	25,000,000	25,000,000	+ 5,000,000	
Export-Import Bank of the United States	(11,020,668,000)	(10,709,000,000)	(10,710,000,000)	(− 310,668,000)	(+ 1,000,000)
Budget authority scoring	1,000,000,000	690,000,000	690,000,000	− 310,000,000	
Total, fiscal year 1988	15,367,612,000	13,197,479,000	13,067,504,000	− 2,300,108,000	− 129,975,000

[1] Amounts rounded to nearest $1,000.

[2] House and Senate military assistance figures include funding for Guaranty Reserve Fund.

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A LOOK AT THE SIZE AND DIMENSIONS OF U.S. FOREIGN ASSISTANCE

To better understand the dimensions of the U.S. Foreign Assistance Program, the Committee is again including in its report tabular information showing the amounts of resources transferred to foreign nations in fiscal year 1986, fiscal year 1987, and the amount proposed to be transferred in fiscal year 1988. Table I helps to better inform the Congress and the American people about the size of the U.S. foreign assistance effort. The Committee would caution, however, that significant amounts of foreign assistance are provided through programs not under the jurisdiction of the Foreign Operations Subcommittee and are, therefore, not recorded here. To obtain more complete information on these other dimensions of U.S. foreign assistance, the Committee has commissioned a study by the Congressional Research Service. When completed, that study will form the base for Committee hearings on the whole of the U.S. foreign assistance effort.

Despite these omissions, the following tables show a significant absolute foreign assistance effort. There are many who continually criticize the United States for not providing enough foreign assistance dollars. Usually this criticism is presented in comparisons with other countries on the percentage of gross national product devoted to foreign economic assistance. Such a comparison is grossly misleading, for it presents only a partial reflection of the total contribution made by the American taxpayer to the safety and general welfare of the world's developing countries.

It must be underscored that, in addition to our economic and military assistance programs, the United States continues to shoulder the major burden of defending the free world. In fact, as the following table II demonstrates, the United States spends more on the defense of itself and the Western World than all of the other Western countries shown on the table combined.

Furthermore, it is worth pointing out that several of the countries listed in table II direct their foreign assistance programs to former colonies, neighboring countries or trading partners, while the United States' program is worldwide in scope and does not exhibit the degree of parochial bias evident in the programs of many other donor countries. As this Committee has noted in the past, the measurement of foreign assistance efforts through comparisons which use "net official development assistance as a percentage of GNP" as the only standard, rob such comparisons of any intelligible meaning and makes it impossible to judge the inadequacy or excessiveness of U.S. foreign assistance.

Table III is included to show the continuing large portion of the cost of international banks and other multilateral organizations funded by the United States.

TABLE I.—TRANSFER OF U.S. RESOURCES TO FOREIGN NATIONS

[In millions of dollars]

	Fiscal year—		
	1986 (actual)	1987 (estimate)	1988 (proposed)
Military assistance	[1]5,797.4	4,966.4	5,807.0
Economic assistance	[1]9,053.8	8,624.9	9,424.9
Total foreign assistance	14,851.2	13,591.3	15,231.9
Export-Import Bank[2]	6,086.1	12,225.0	11,000.0
Total	**20,937.3**	**25,846.3**	**26,231.9**

[1] Figures for military and economic assistance represent actual appropriations, including supplementals.
[2] Export-Import Bank figures represent gross program authorization level.

TABLE II.—DEFENSE EXPENDITURES AND DEVELOPMENT ASSISTANCE

[In millions of dollars]

	Defense expenditures[1] (1985)		Net official development assistance[2] (1985)	
Country	Amount	Percent of GNP	Amount	Percent of GNP
United States	237,100	6.3	9,103	0.24
United Kingdom	25,410	5.3	1,495	.34
France	22,350	4.1	2,689	.54
Germany, Federal Republic of	22,780	3.3	2,978	.47
Netherlands	4,510	3.2	1,149	.91
Norway	1,679	2.9	574	1.03
Sweden	2,928	3.1	818	.86
Belgium	2,669	3.1	428	.54
Australia	4,657	2.9	881	.49
Italy	10,110	2.7	1,098	.31
Denmark	1,395	2.4	428	.80
Switzerland	2,203	2.0	309	.31
Canada	7,604	2.2	1,668	.49
New Zealand	469	1.9	56	.25
Austria	921	1.3	249	.38
Japan	12,700	1.0	3,755	.29
Luxembourg	42	.9	...	...
Ireland	319	1.8	38	.24
Spain	3,633	2.2	...	...
Greece	2,664	7.2	...	...
Portugal	680	3.5	...	...

[1] Data on defense expenditures in dollars and as a percent of GNP from the U.S. Arms Control and Disarmament Agency publication entitled "World Military Expenditures and Arms Transfers 1986."
[2] Data on net official development assistance in dollars and as a percent of GNP from the 1986 chairman's report, Development Assistance Committee, Organization for Economic Cooperation and Development.

TABLE III.—U.S. VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND SUBSCRIPTIONS AND CONTRIBUTIONS TO DEVELOPMENT BANKS

Organization or activity:	*Fiscal year 1988 estimated U.S. share as a percentage of total contributions*
African Development Bank: [1]	
Paid-in capital	5.5
Callable capital	5.5
African Development Fund [1]	15.4
Asian Development Bank: [1]	
Paid-in capital	15.1
Callable capital	15.1
Asian Development Fund	16.23
Consultative Group on International Agricultural Research [CGIAR] [AID]	20.0
Inter-American Development Bank: [1]	
Paid-in capital	34.7
Callable capital	34.7
Fund for special operations	41.27
International Atomic Energy, cash contribution	25.0
International Bank for Reconstruction and Development: [1]	
Paid-in capital	18.9
Callable capital	18.9
International Development Association: [1] Paid-in capital (subscriptions)	23.2
International Fertilizer Development Center [AID]	40.0
Intergovernmental Government Committee for European Migration	8.0
Organization of American States	48.0
Pathfinder Fund (population planning) [AID]	95.0
United Nations Relief and Works Agency	30.0
United Nations Educational and Training Program for Southern Africa	23.5
United Nations Environment Program	18.0
United Nations Fund for Drug Abuse Control	25.0
United Nations Force in Cyprus	50.0
World Meteorological Organization, Voluntary Assistance Program	32.0

[1] Percentage based on most recent replenishment as negotiated internationally.

HISTORICAL TOTALS OF U.S. ECONOMIC AND MILITARY ASSISTANCE

The following table presents summary and detail information relating to the totality of U.S. foreign assistance (economic and military) furnished to other nations during the period fiscal years 1946–86. It has been extracted from information assembled and presented by the Agency for International Development in the current edition of its publication, U.S. Overseas Loans and Grants.

U.S. FOREIGN ASSISTANCE, FISCAL YEARS 1946–86

[In millions of dollars]

	Economic assistance	Military assistance	Total
Total economic and military assistance, fiscal years 1946–86	196,476.9	118,630.4	315,107.3
Total other U.S. loans and grants, fiscal years 1946–86	54,966.0		54,966.0
Economic and military assistance, fiscal year 1987 (estimated)	8,624.9	4,966.4	13,591.3
Grand total	**260,067.8**	**123,596.8**	**383,664.6**

U.S. ECONOMIC AND MILITARY ASSISTANCE

DETAIL BY REGION AND BY COUNTRY

FISCAL YEARS 1946–86

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
A. Near East and South Asia	58,702.5	50,348.8	109,051.3
Afghanistan	549.6	5.6	555.2
Bahrain	2.4		2.4
Bangladesh	2,205.0	2.0	2,207.0
Bhutan	4.3		4.3
Cyprus	237.6		237.6
Egypt	13,082.2	8,070.6	21,152.8
Greece	1,910.3	5,807.5	7,717.8
India	11,415.3	147.3	11,562.6
Iran	765.7	1,404.9	2,170.6
Iraq	45.5	50.0	95.5
Israel	12,699.5	22,226.8	34,926.3
Jordan	1,683.3	1,440.7	3,124.0
Lebanon	316.5	265.0	581.5
Maldive Islands	2.2		2.2
Nepal	377.4	2.7	380.1
Oman	93.5	199.7	293.2

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY—Continued

FISCAL YEARS 1946–86—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
A. Near East and South Asia—Continued			
Pakistan	6,551.9	1,913.8	8,465.7
Saudi Arabia	31.8	292.3	324.1
Sinai support mission			
Sri Lanka	925.7	6.5	932.2
Syria	581.9	.1	582.0
Turkey	4,216.9	8,476.2	12,693.1
Yemen Arab Republic	304.6	36.9	341.5
Yemen, Peoples Democratic Republic of	4.5		4.5
Central Treaty Organization (CENTO)	39.6		39.6
Near East and South Asia Regional	655.4	.1	655.5
B. Latin America	19,514.4	3,544.8	23,059.2
Argentina	199.4	263.6	463.0
Bahamas	.3	.1	.4
Barbados	3.7	.3	4.0
Belize	72.6	1.8	74.4
Bolivia	1,048.0	86.0	1,134.0
Brazil	2,447.1	639.9	3,087.0
Chile	1,198.3	217.0	1,415.3
Colombia	1,405.8	283.1	1,688.9
Costa Rica	1,099.3	36.7	1,136.0
Cuba	4.0	16.1	20.1
Dominican Republic	1,215.8	81.5	1,297.3
Ecuador	603.9	142.5	746.4
El Salvador	1,778.0	676.1	2,454.1
Grenada	59.7	.1	59.8
Guatemala	751.3	47.3	798.6
Guyana	115.5	.1	115.6
Haiti	540.0	11.3	551.3
Honduras	995.3	327.1	1,322.4
Jamaica	903.1	28.0	931.1
Mexico	385.3	15.8	401.1
Nicaragua	387.5	32.5	420.0
Panama	570.6	58.4	629.0
Paraguay	203.5	30.6	234.1
Peru	1,195.1	276.9	1,472.0
Suriname	6.4	.2	6.6
Trinidad and Tobago	40.9	.1	41.0
Uruguay	176.2	89.6	265.8
Venezuela	202.8	152.6	355.4
Other West Indies-Eastern Caribbean Regional	508.4	24.2	532.6
Regional Office Central America and Panama—ROCAP	521.5		521.5
Central America Regional			
Latin America Regional	875.2	5.2	880.4
C. East Asia	29,283.5	38,958.3	68,241.8
Burma	199.2	89.7	288.9
China, Peoples Republic of	2.3		2.3
Hong Kong	43.8		43.8
Indochina Associated States	825.6	731.5	1,557.1
Indonesia	3,428.2	641.0	4,069.2

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY—Continued

FISCAL YEARS 1946–86—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
C. East Asia—Continued			
Japan	2,711.1	1,239.6	3,950.7
Kampuchea	915.7	1,280.3	2,196.0
Korea, Republic of	6,063.4	8,787.8	14,851.2
Laos	904.1	1,606.7	2,510.8
Malaysia	92.2	192.5	284.7
Philippines	3,053.0	1,405.9	4,458.9
Ryukyu Islands (U.S.)	413.7		413.7
Singapore	2.8	19.4	22.2
Thailand	952.1	2,187.6	3,139.7
Vietnam (South), Republic of	6,948.6	16,416.1	23,364.7
Western Samoa	15.8		15.8
Taiwan	2,206.9	4,360.4	6,567.3
Asia Regional	505.0		505.0
D. Africa	15,016.0	2,774.5	17,790.5
Algeria	203.6	.1	203.7
Angola	26.4		26.4
Benin (Dahomey)	68.6	.2	68.8
Botswana	226.5	28.6	255.1
Burkina Faso	264.6	.7	265.3
Burundi	65.1	.5	65.6
Cameroon	214.5	27.4	241.9
Cape Verde	73.6	.2	73.8
Central African Republic	34.8	.4	35.2
Chad	147.0	13.4	160.4
Comoros	5.2		5.2
Congo, Republic of	20.3	.1	20.4
Djibouti, Democratic Republic of	30.0	8.5	38.5
Entente States	38.0		38.0
Equatorial Guinea, Republic of	8.6	1.2	9.8
Ethiopia	573.3	280.1	853.4
Gabon	21.7	15.9	37.6
Gambia, The	64.3	.1	64.4
Ghana	506.3	2.8	509.1
Guinea	220.2	7.8	228.0
Guinea-Bissau	39.4	.1	39.5
Ivory Coast	51.5	.7	52.2
Kenya	667.3	237.0	904.3
Lesotho	203.1		203.1
Liberia	668.5	84.2	772.7
Libya	212.5	17.6	230.1
Madagascar	97.2	3.7	100.9
Malawi	163.2	2.8	166.0
Mali	287.9	4.1	292.0
Mauritania	142.7	.3	143.0
Mauritius	55.2		55.2
Morocco	1,489.1	638.9	2,128.0
Mozambique	171.5		171.5
Niger	290.2	18.9	309.1
Nigeria	408.6	1.9	410.5
Portuguese Territories in Africa	3.4		3.4
REDSO/EA			
REDSO/WA			

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY—Continued

FISCAL YEARS 1946–86—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
D. Africa—Continued			
Rwanda	102.8	1.8	104.6
Sao Tome and Principe	4.9		4.9
Senegal	393.8	21.6	415.4
Seychelles	16.7		16.7
Sierra Leone	141.4	.2	141.6
Somalia	619.8	183.8	803.6
South Africa, Republic of—OSARAC	176.3		176.3
Sudan	1,252.3	320.8	1,573.1
Swaziland	99.4	.1	99.5
Tanzania	350.8		350.8
Togo	108.4	.3	108.7
Tunisia	1,053.1	634.0	1,687.1
Uganda	105.8	.2	106.0
Zaire	948.3	207.9	1,156.2
Zambia	390.7		390.7
Zimbabwe	307.8	.7	308.5
Sahel Regional	254.1		254.1
East Africa (Regional Dev. Office)	33.3		33.3
South Africa, Republic of	15.6		15.6
Africa Regional	856.9	4.8	861.7
E. Europe	29,160.6	18,525.0	47,685.6
Albania	204.4		20.4
Austria	1,135.2	121.9	1,257.1
Belgium	592.3	1,275.2	1,867.5
Czechoslovakia	193.0		193.0
Denmark	281.9	640.1	922.0
Finland	56.8	.5	57.3
France	3,918.1	4,548.6	8,466.7
Germany Democratic Republic of	.8		.8
Germany, Federal Republic of	4,041.1	939.4	4,980.5
Hungary	32.7		32.7
Iceland	82.1	.1	82.2
Ireland	196.5		196.5
Italy	3,420.6	2,545.3	5,965.9
Luxembourg			
Malta	83.9	.5	84.4
Netherlands	1,027.6	1,284.7	2,312.3
Norway	301.8	943.8	1,245.6
Poland	701.5		701.5
Portugal	1,104.6	1,064.8	2,169.4
Romania	22.4		22.4
Spain	1,120.0	3,329.4	4,449.4
Sweden	109.0		109.0
Switzerland			
United Kingdom	7,672.1	1,107.4	8,779.5
U.S.S.R.	186.4		186.4
West Berlin	131.9		131.9
Yugoslavia	2,109.2	723.3	2,832.5
European Regional	619.0		619.0

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY—Continued

FISCAL YEARS 1946-86—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
F. Oceania	934.4	121.2	1,055.6
Australia	8.0	115.6	123.6
New Zealand	4.3	4.3	8.6
Pacific Islands, Trust Territory of the	824.2	....	824.2
Papua New Guinea	4.2	.2	4.4
Oceania Regional	93.7	1.1	94.8
G. Canada	17.5	13.0	30.5
H. Interregional activities	43,848.0	4,344.9	48,192.9
Grand total	196,476.9	118,630.4	315,107.3

NOTES

(1) Information as of September 30, 1986.

(2) Basic data (fiscal years 1946-86) taken from "U.S. Overseas Loans and Grants and Assistance From International Organizations," a publication of the Agency for International Development. See this publication for explanation and detail.

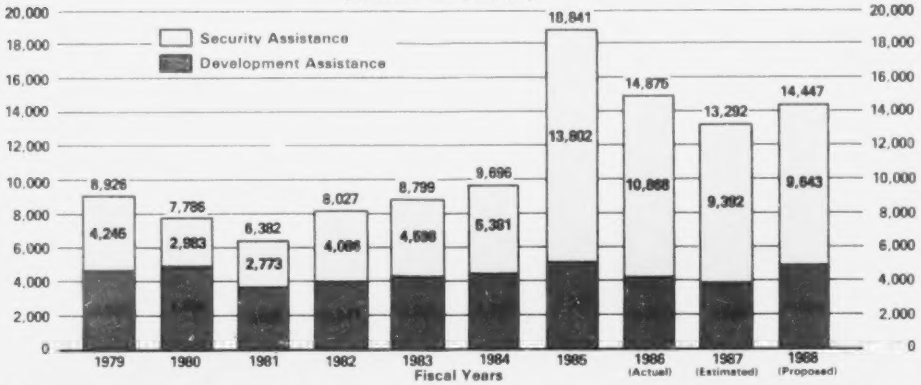
(3) Through September 30, 1986, repayments and interest of both economic and military loans total $52,346,000.

HISTORICAL APPROPRIATIONS FOR FOREIGN ASSISTANCE AND RELATED PROGRAMS

Appropriations for those activities authorized under the Foreign Assistance Act and related authorizing legislation comprise only a portion of the total U.S. foreign assistance effort. Food aid authorized under Public Law 480, for example, is a major foreign aid program omitted from this compilation. Nevertheless, programs funded through Foreign Assistance Act and related programs appropriations comprise the largest and most important part of that total effort. Therefore, the Committee presents a graph of Foreign Assistance Act and related programs appropriations for fiscal years 1978 through 1987.

A second graph on the following page shows this same information in constant dollars for fiscal years 1978–87.

Foreign Assistance and Related Programs Appropriations
FY 1979 – FY 1988
(Millions of Dollars)



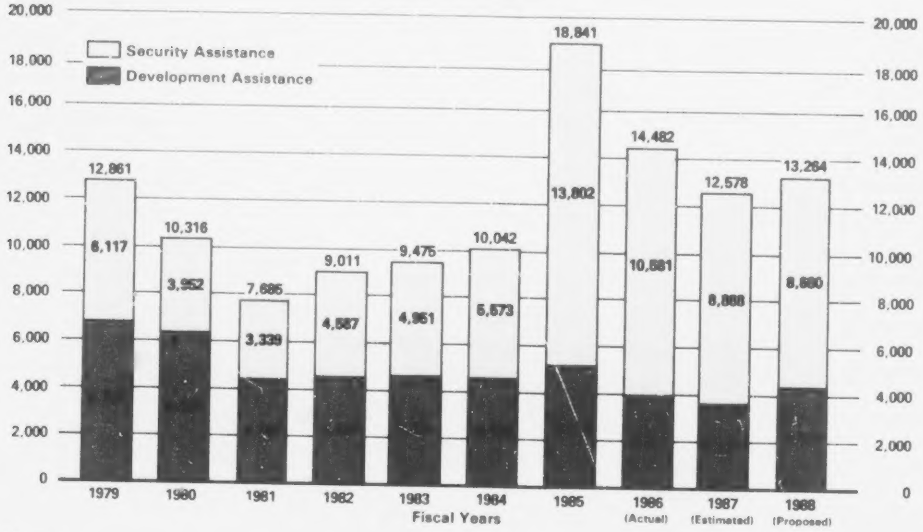
Notes:
Security Assistance consists of Military Assistance Program Grants, International Military Education and Training, Foreign Military Credit Sales, Indochina Postwar Reconstruction, Security Supporting Assistance, Economic Support Fund, Peacekeeping Operations, Middle East Special Requirements Fund, Relocation of Facilities in Israel, Sinai Support Mission, and Anti-terrorism Assistance.

Development Assistance consists of Functional Development Assistance, International Organizations and Programs, International Financial Institutions, American Schools and Hospitals Abroad, International Disaster Assistance, Migration and Refugee Assistance, Peace Corps, Foreign Service Retirement Fund, International Narcotics Control, Contingency Fund, Operating Expenses and other assistance programs.

Development Assistance includes appropriations of callable capital for the Multilateral Development Banks: FY 1979 - $883 million, FY 1980 - $1,783 million. No funds were appropriated for callable capital in FY 1981 to FY 1987. Data exclude IMF Supplementary Financing Facility.

Detail may not add to totals due to rounding.

Foreign Assistance and Related Programs Appropriations in Constant Dollars[1]
FY 1979 — FY 1988
(Millions of Dollars)



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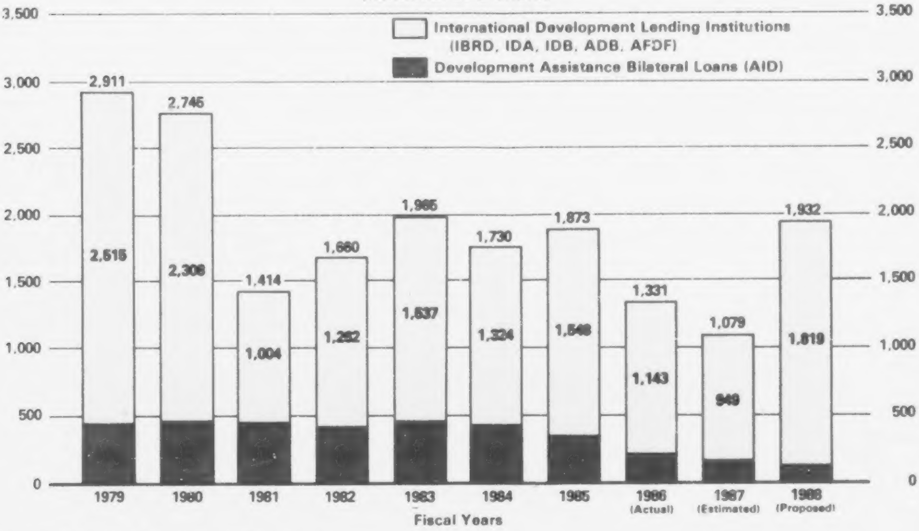
[1] 1986 dollars

OVERALL DEVELOPMENT LENDING

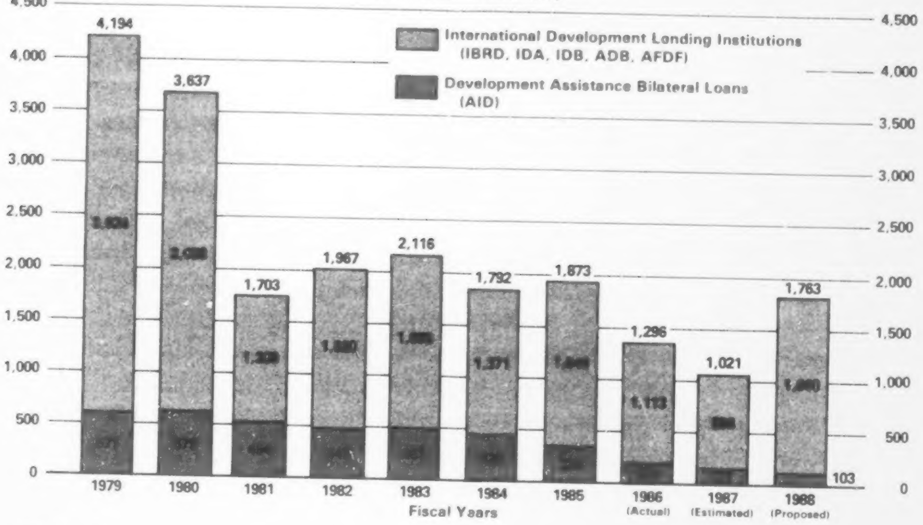
The following graphs depict appropriations for both the bilateral and multilateral programs over the last 10 years in current and constant dollars.



Appropriations for Development Lending
FY 1979 – FY 1988
(Millions of Dollars)

Source: The Agency for International Development

Appropriations for Development Lending In Constant Dollars[1/]
FY 1979 — FY 1988
(Millions of Dollars)



[1/] 1985 dollars

NATIONS MOST IN NEED OF ASSISTANCE

The following table lists the total dollar assistance per country of the Agency for International Development's program by ascending per capita gross national product. Also shown by this table is the cumulative percent of the Agency's program. Following the table is a map which is designed to show those countries most in need of assistance as measured in terms of their per capita gross national product.

AGENCY FOR INTERNATIONAL DEVELOPMENT, TOTAL DOLLAR ASSISTANCE PER COUNTRY LISTED BY PER CAPITA GROSS NATIONAL PRODUCT

[Dollars in thousands]

Country	GNP per capita (1985)	Fiscal year 1986		Fiscal year 1987		Fiscal year 1988	
		Dollar level	Cumulative percent	Dollar level	Cumulative percent	Dollar level	Cumulative percent
Equatorial Guinea[1]	<401	$1,000		$500		$500	
Chad[1]	<401	13,519		9,000		10,000	
Uganda[1]	<401	9,032		5,550		7,000	
Mozambique[1]	<401	9,570		10,000		10,000	
Mali	140	9,000		7,350		8,000	
Burkina	140	6,818		1,000		1,000	
Bangladesh	150	75,000		63,000		60,000	
Nepal	160	16,139		13,000		13,000	
Guinea-Bissau	170	2,000		1,760		2,000	
Malawi	170	24,000		10,779		10,000	
Zaire	170	45,277		29,550		33,000	
Burma	190	9,680		8,000		8,000	
Niger	200	20,373		18,500		16,000	
Gambia	230	4,000		2,000		3,000	
Burundi	240	2,019		1,760		2,000	
Madagascar	250	2,844		3,280		4,000	
India	250	86,576		53,000		50,000	
Togo	250	10,910		2,695		3,000	
Tanzania	270					4,000	
CAR	270	1,940		1,000		2,000	
Somalia	270	44,155		30,743		38,000	
Comoros	280	750		600		700	
Kenya	290	40,985		34,012		35,000	
Rwanda	290	6,000		6,000		6,000	
Sao Tome	310	600		300		300	
Guinea	320	11,715		4,665		6,500	
Sudan	330	40,988		22,472		36,000	
Haiti	350	45,893		66,165		62,000	
Sierra Leone	370			1,145		1,300	
Sri Lanka	370	24,496		18,000		16,790	
Senegal	370	46,859		30,808		32,000	
Pakistan	380	263,250		275,000		300,000	

See footnote at end of table.

AGENCY FOR INTERNATIONAL DEVELOPMENT, TOTAL DOLLAR ASSISTANCE PER COUNTRY LISTED BY PER CAPITA GROSS NATIONAL PRODUCT—Continued

[Dollars in thousands]

Country	GNP per capita (1985)	Fiscal year 1986		Fiscal year 1987		Fiscal year 1988	
		Dollar level	Cumulative percent	Dollar level	Cumulative percent	Dollar level	Cumulative percent
Ghana	390	3,000		1,820		2,000	
Zambia	400	19,149		15,500		15,000	
Subtotal		897,537	15.51	748,954	17.24	798,090	18.14
Lebanon [1]	401–1,635	15,901		6,967		300	
Mauritania	410	3,000		2,000		3,000	
Cape Verde	430	2,587		1,000		1,000	
Liberia	470	41,925		28,780		30,000	
Bolivia	470	32,139		35,100		52,600	
Lesotho	480	9,660		9,660		10,000	
Yemen	520	23,549		22,000		22,000	
Indonesia	530	64,355		45,000		45,000	
Philippines	600	338,649		263,000		137,000	
Morocco	610	37,957		26,370		35,000	
Zimbabwe	650	7,000					
Swaziland	650	9,756		7,000		6,500	
Egypt	680	1,068,434		815,000		815,000	
El Salvador	710	260,925		257,204		275,620	
Honduras	730	105,556		112,260		140,362	
Subtotal		2,021,393	34.92	1,631,341	37.55	1,573,382	35.75
Dominican Republic	810	66,501		37,500		55,000	
Cameroon	810	23,014		20,000		20,000	
Thailand	830	28,313		21,000		21,000	
Botswana	840	11,654		5,000		8,000	
Jamaica	940	83,500		39,500		63,600	
Peru	960	24,587		19,500		24,200	
Congo	1,020	475		500		500	
Mauritius	1,070	1,914		1,000		1,500	
Turkey	1,130	119,625		100,000		125,000	
Belize	1,130	8,764		9,550		9,300	
Ecuador	1,160	47,321		28,841		34,000	
Tunisia	1,220	22,664		16,203		20,000	
Guatemala	1,240	84,731		92,088		113,300	
Subtotal		523,063	9.04	390,682	8.99	495,400	11.26
Costa Rica	1,290	131,531		100,490		102,900	
Jordan	1,560	95,022		104,000		18,000	
Uruguay	1,660	14,355		12,152			
Fiji	1,700	1,357		1,400		1,500	
Portugal	1,970	76,487		64,812		80,000	
South Africa	2,010	5,522		1,700		25,000	
Panama	2,020	24,540		19,334		29,343	
Poland	2,120	4,000					
Cyprus	3,790	14,355		15,000		10,000	
Spain	4,360	11,484		5,000		12,000	
Ireland	4,840	50,000		35,000		35,000	

See footnote at end of table.

AGENCY FOR INTERNATIONAL DEVELOPMENT, TOTAL DOLLAR ASSISTANCE PER COUNTRY LISTED BY PER CAPITA GROSS NATIONAL PRODUCT—Continued

[Dollars in thousands]

Country	GNP per capita (1985)[1]	Fiscal year 1986		Fiscal year 1987		Fiscal year 1988	
		Dollar level	Cumulative percent	Dollar level	Cumulative percent	Dollar level	Cumulative percent
Israel	4,920	1,898,400		1,200,000		1,200,000	
Oman	7,080	19,556		15,000		20,000	
Subtotal		2,346,609	40.54	1,573,888	36.22	1,533,743	34.85
Country program total		5,788,602	100.00	4,344,865	100.00	4,400,615	100.00
Noncountry programs		1,352,343		1,413,411		1,379,332	
Grand total		7,140,945		5,758,276		5,779,947	

[1] Estimates of GNP per capita from the World Bank.

NOTES

GNP per capita data from the World Bank Atlas 1987.

Noncountry programs include regional programs, centrally funded programs, AID operating expenses, International Disaster Assistance, American Schools and Hospitals Abroad, HIG Reserve Fund, miscellaneous prior year accounts, miscellaneous trust funds, and deob/reob estimates.

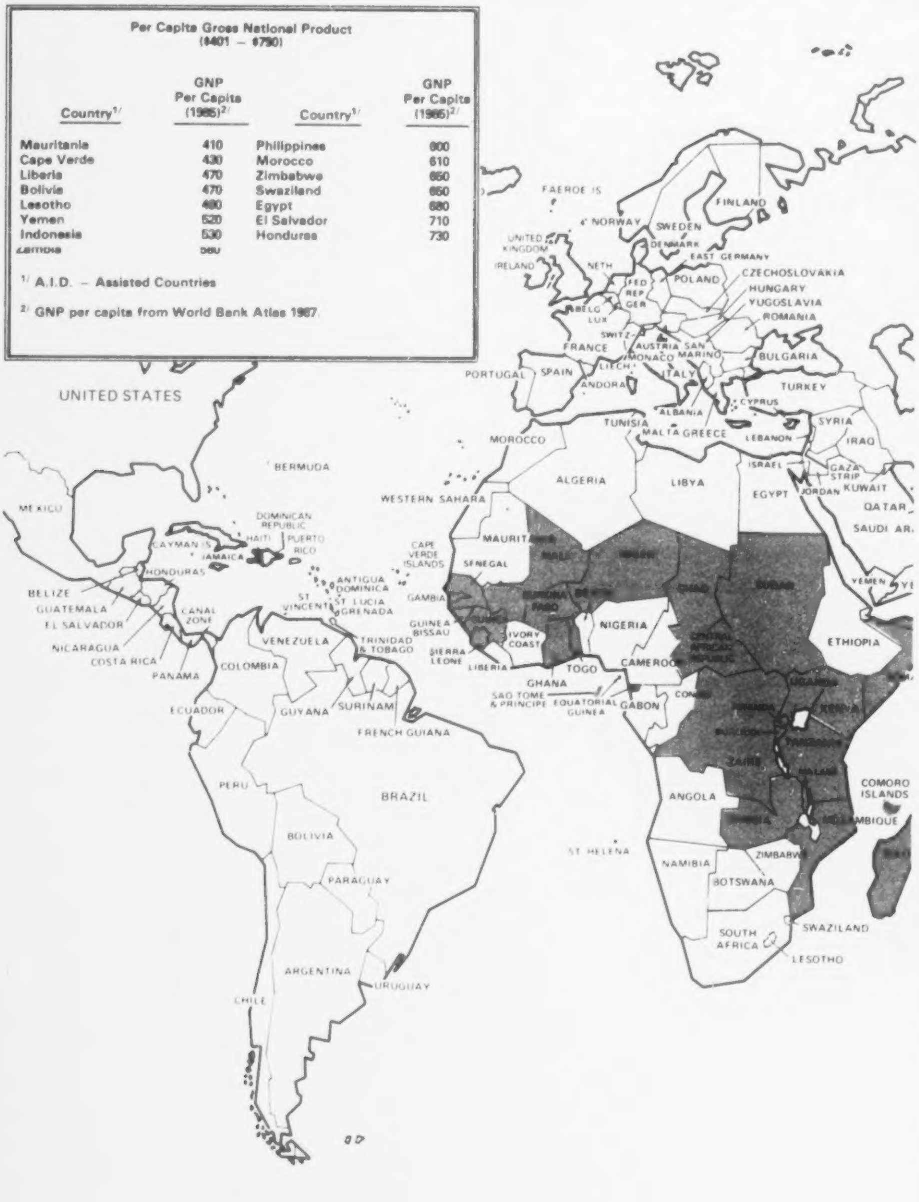
Nations Most in N

Per Capita Gross National Product
($401 – $790)

Country[1]	GNP Per Capita (1985)[2]	Country[1]	GNP Per Capita (1985)[2]
Mauritania	410	Philippines	600
Cape Verde	430	Morocco	610
Liberia	470	Zimbabwe	650
Bolivia	470	Swaziland	650
Lesotho	480	Egypt	680
Yemen	520	El Salvador	710
Indonesia	530	Honduras	730
Zambia	580		

[1] A.I.D. – Assisted Countries

[2] GNP per capita from World Bank Atlas 1987.



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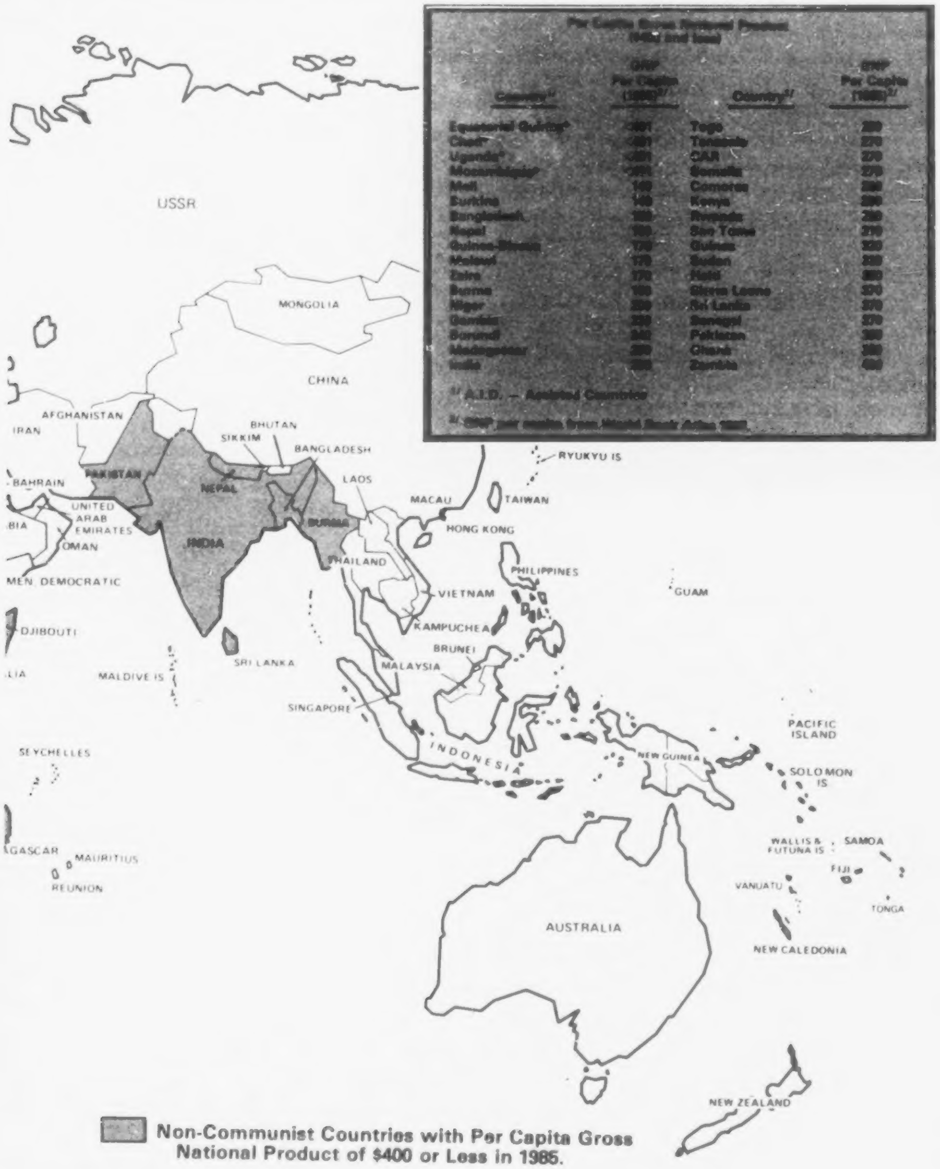

Per Capita Gross National Product
($400 and less)

Country[1]	GNP Per Capita (1985)[2]	Country[1]	GNP Per Capita (1985)[2]
Equatorial Guinea*	[illegible]	Togo	[illegible]
Chad*	[illegible]	Tanzania	[illegible]
Uganda*	[illegible]	CAR	[illegible]
Mozambique*	[illegible]	Somalia	[illegible]
Mali	140	Comoros	[illegible]
Burkina	140	Kenya	[illegible]
Bangladesh	[illegible]	Rwanda	[illegible]
Nepal	[illegible]	Sao Tome	[illegible]
Guinea-Bissau	170	Guinea	[illegible]
Malawi	170	Sudan	[illegible]
Zaire	170	Haiti	[illegible]
Burma	[illegible]	Sierra Leone	[illegible]
Niger	[illegible]	Sri Lanka	370
Gambia	[illegible]	Senegal	[illegible]
Burundi	[illegible]	Pakistan	[illegible]
Madagascar	[illegible]	Ghana	[illegible]
India	[illegible]	Zambia	[illegible]

[1] A.I.D. – Assisted Countries

[2] GNP per capita from World Bank Atlas 1987.

▨ Non-Communist Countries with Per Capita Gross National Product of $400 or Less in 1985.

Source: *1987 World Bank Atlas*

EXPROPRIATION CLAIMS

From time to time American citizens bring to the attention of the Committee actions taken by foreign governments which deprive them of real property, investments, or the means of earning their livelihood. Less frequently, but with some regularity, foreign governments or their agents approach the Committee asking that it intervene on their behalf to resolve disputes regarding claims brought by American citizens who allege that the foreign government has been involved in the expropriation of property and resources.

It often is extremely difficult for the Committee to ascertain the factual aspects of expropriation cases, quite apart from the sensitive political and foreign policy dimensions of these matters. Moreover, the resolution of such cases can require lengthy legal proceedings involving the judicial apparatus of both the United States and the foreign country. Clearly, the Committee must limit its involvement in such matters.

In the course of its action on the fiscal year 1987 supplemental appropriations bill, the Committee, together with its counterpart Committee in the House of Representatives, was presented with competing claims in one of the most contentious of expropriation claims ever to come before the Committee. The matter at issue was a very complex case involving the Government of Honduras and an American citizen. In their report the conferees expressed their belief that it is inappropriate for the U.S. Government or the Congress to decide the merits of the case or to establish levels of the appropriate compensation.

The conferees did, however, believe that it was incumbent upon them to act in a manner which would contribute to the resolution of the dispute. Therefore, in their consideration of this case, the conferees devised a process which this Committee believes offers a model for the treatment of future expropriation claims and counterclaims. A full exposition of that process may be found on page 47 of House Report 100–195 (the conference report on the Fiscal Year 1987 Supplemental Appropriations Act). In summary form, that the process provides:

One, an opportunity for parties to the dispute to resolve their differences through direct negotiations;

Two, a requirement that the parties, in the absence of a mutually agreed settlement, submit their differences to binding international arbitration; and,

Three, the withholding of funds until the disagreement is settled, either through direct negotiations or binding arbitration.

The Committee believes that this process might well serve as a model for its response to entreaties that it intervene in expropriation issues.

In order that it might consider appropriate responses to outstanding cases, the Committee directs the Department of State to prepare a report on the status of all pending expropriation claims of U.S. citizens and business enterprises. Included in this report should be a detailed explanation of what specific action has occured on those cases which have been enumerated in previous reports requested by the Committee. Where no action has occurred, an explanation should be given of that inaction.

In particular, the Committee wishes to obtain a report on the following cases:

One, the alleged expropriation by the Government of Jamaica of certain land and properties owned by Rollins Jamaica Ltd. Because of our support in recent years for increased assistance to Jamaica, the Committee is particularly distressed by allegations that the Government of Jamaica seized without compensation land and properties belonging to an American citizen. This Committee had regarded Jamaica as the keystone to the President's Caribbean Basin Initiative and would be gravely disappointed if it turned out that foreign investors find their investments at risk of expropriation.

Two, the alleged failure of the Government of Ecuador to pay legitimate claims and charges of American firms for services and goods under contract. The Committee is distressed by these charges because it was this Committee which took the lead in securing Economic Support Fund assistance for Ecuador at a time when that country's balance of payments was in crisis.

Three, the alleged expropriation of property belonging to Enterprise Development, Inc., an American firm conducting business in Sri Lanka. The Committee is distressed by the failure of the Government of Sri Lanka to resolve this case because of its apparent belief that the United States Government would not actively seek resolution of a small United States investor's investment dispute.

UNLIQUIDATED BALANCES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Below is a table showing the unliquidated balances of the Agency for International Development.

UNLIQUIDATED BALANCES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

(As of March 31, 1987)

[In thousands of dollars]

Development assistance:	
Functional development assistance:[1]	
Agriculture, rural development, and nutrition	1,934,432
Population planning	447,777
Health	491,778
Child survival	58,266
Education and human resources development	368,809
Technical assistance, energy, R&R	392,416
Undistributed	(488,531)
Subtotal functional development assistance	3,204,947
Private sector revolving fund	35,379
International organizations and programs	282,216
American schools and hospitals abroad	23,297
Trade and development programs	29,173
Operating expenses	75,703
Operating expenses, inspector general	4,703
Prototype desalting plant	4,187
International disaster assistance	111,989
Sahel development program	243,097
Assistance to Portugal and Portugese colonies	8
Total, development assistance	4,014,699
Security assistance:[1]	
Indochina postwar reconstruction	266
Security supporting assistance	56,289
Economic Support Fund	3,708,905
Peacekeeping operations	16
Middle East special requirements fund	2,914
Total, security assistance	3,768,390
Total unliquidated balances	7,783,089
Less: Accrued expenditures	764,788
Total Agency pipeline	7,018,301

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[1] Includes local support costs (funds authorized to be used for selected operating expense and inspector general operating expenses costs in fiscal year 1986 and 1987).

COMPETITIVE INSURANCE

It is the policy of the U.S. Government that the funds made available under this bill must be used, whenever possible, to create commercial opportunities that benefit the American economy. U.S. insurance companies, therefore, must have a fair and open competitive opportunity to provide insurance whenever insurance is necessary or proper in connection with any supplies or activities funded by this legislation.

In carrying out this policy, each executive agency or military department of the United States receiving funds under this bill must take such action as may be necessary and practicable to assure that American insurance companies have an equal opportunity to provide insurance. Such steps include but are not limited to the inclusion of a clause in all solicitations, contracts, subcontracts, or other instruments evidencing agreement on the procurement or furnishing of supplies or activities funded under this bill, requiring that U.S. insurance companies have a fair opportunity to bid for insurance when insurance is necessary or appropriate.

It is not clear whether the policy of assuring U.S. insurance companies an equal opportunity to compete has, in fact, been implemented by all agencies of the U.S. Government. Three recent reports suggest the existence of widespread discrimination by foreign governments against U.S. insurers. A private study, conducted by SRI International, Washington, DC, concluced that many foreign countries are discriminating against American companies when insuring foreign aid from the United States. A census study, conducted by the Export-Import Bank of the United States, and the "National Trade Estimate: 1986 Report on Foreign Trade Barriers," prepared by the U.S. trade representative, reached similar conclusions. These reports list a number of countries which are said to formally or informally discriminate against U.S. insurers. Despite this body of information, neither the Department of Defense nor the Agency for International Development has apparently ever taken action to counteract discrimination by countries receiving U.S. foreign assistance.

Because of this apparent disparity, we direct that the Department of Defense and the Agency for International Development prepare a joint report to be submitted to Congress no later than March 1, 1988. The report should identify any insurance opportunities resulting from U.S. assistance programs in each of the countries identified as discriminatory by any of the studies listed above. Second, the report should consider whether formal or informal discrimination against U.S. insurers is, in fact, occurring in these countries. (If possible, the report should state whether U.S. insurers have participated in whole or in part in the insurance opportunities provided by U.S. foreign assistance.) If there is discrimination in any country, the report should discuss the measures that the Department of Defense and the Agency for International Development have taken to address the problem in that country.

HOUSE OF REPRESENTATIVES CONSIDERATION OF FOREIGN ASSISTANCE APPROPRIATIONS LEGISLATION FOR FISCAL YEAR 1988

The Senate Appropriations Committee delayed action on the foreign assistance legislation to await completion of House action on the fiscal year 1988 Foreign Assistance and Related Programs appropriations bill. It now appears unlikely that this legislation, reported by the House Committee on Appropriations on August 6, 1987, will be considered on the floor of the House. Therefore, the Committee is compelled to report a Senate originated bill. In several instances in this report, the Committee does refer to House Committee action, and in the tables which head the discussion of each account, the amounts listed for the House are those as reported by the House Committee.

GUARANTY RESERVE FUND

The Guaranty Reserve Fund [GRF], a revolving fund administered by the Defense Department, is used to guarantee Foreign Military Sales [FMS] loans extended by the Federal Financing Bank [FFB]. Congress created the GRF in December 1980. Prior to that time, funds used to guarantee loans were maintained in a segregated reserve within the Military Assistance Program [MAP] account and, after 1968, in the FMS credit appropriation account.

From the mid-1960's (when guaranteed loans for foreign military sales were first authorized), until July 1974, a reserve account was capitalized by obligation of a portion of the annual appropriation equivalent to 25 percent of the principal amount of the guaranties issued during the current fiscal year. On July 1, 1974, Congress reduced the 25 percent annual appropriation requirement to 10 percent. When Congress created the GRF in December 1980, it eliminated the annual appropriation requirement entirely. The GRF was capitalized at $1,170,000,000 which represented the cash balance of the predecessor reserve account at that time.

Guaranty Reserve Fund disbursements are made to the FFB only when a guaranteed loan payment is missed by a borrower. When borrowers miss a loan payment, the amount payable becomes the overdue installment of principal and interest, plus interest charged at the rate specified in the promissory note. In the event of a missed payment, the Defense Security Assistance Agency [DSAA] of the Defense Department, as loan guarantor, makes the payment due to the FFB. DSAA, at the same time, attempts to collect the missed payment in question.

Under GRF procedures, when a borrower subsequently remits a previously missed payment, the funds are credited to the GRF, rather than to miscellaneous receipts of the Treasury, as was the case before the GRF's establishment. Thus the GRF's size rises or falls depending upon the frequency and/or timing of missed payments, payment recoveries, and debt reschedulings. Borrowers who choose to reschedule official debt must do so with the agreement of lenders on a multilateral basis through the Paris Club process. When FMS debt is included in such rescheduling it can lead to a notably adverse effect on the GRF's cash balance due to the fact that arrearages owed to the GRF are recovered in smaller installments over a long period of time.

Since the GRF's creation on December 16, 1980, the fund's balance has decreased each year. On the date of its capitalization in 1980, the GRF had a cash balance of $1,116,590,000. In January of 1987 that cash balance stood at zero. Prior to the exhaustion of the GRF's cash on hand, the administration sought one appropriation of $274,000,000 in fiscal year 1985 for the fund. An increase of $109,000,000 was appropriated that fiscal year. The administration did not seek an appropriation for the GRF in fiscal year 1986, but instead sought permanent authorization and appropriation authority to cover required payments should the GRF cash balance fall below a sufficient level. Congress rejected this proposal.

The International Security and Development Cooperation Act of 1985 did authorize the use of market rate FMS credits to pay claims under guaranteed loans for defaults and rescheduling of debt, to the extent the GRF's cash balance was inadequate. No funds were transferred to the GRF under this authority.

The 1987 Supplemental Appropriations Act (Public Law 100–71) on July 11, 1987, amended section 23 of the Arms Export Control Act [AECA] by stating that the "[f]unds provided for necessary expenses to carry out the provisions of section 23 of the Arms Export Control Act and of section 503 of the Foreign Assistance Act of 1961, as amended, may be used to pay claims on the Guaranty Reserve Fund to the extent that funds in the Guaranty Reserve Fund are inadequate for that purpose." This amendment has the effect of making available for the GRF's replenishment both the entire FMS credit account and the MAP program account.

During hearings before the Committee in April 1982, the Committee raised the issue of cash flow financing by Egypt and that nation's ability to pay for its contracted FMS debts. It specifically asked: "If the Congress were to suspend all assistance to Egypt, would the Egyptian Government be able to pay its contracted debt?" The then Undersecretary of State for Security Assistance responded: "Clearly, such an action would impose a heavy burden on Egypt which remains a poor country. However, Egypt's foreign exchange earnings are sufficient to meet its obligations."

On January 19, 1983, the GAO issued a report entitled, "Unrealistic Use of Loans to Support Foreign Military Sales." This report found that the use of guaranteed FMS loans by some countries was unwise because of their inability to service such debts, given the status of their economies. The GAO report also pointed out that the Guaranty Reserve Fund was undercapitalized in relationship to the loans it was expected to cover, and noted that additional loan defaults were likely. The GAO further suggested that a future Congress might need to appropriate billions of dollars to fund a program authorized by a prior Congress. The GAO recommended that funds be provided for the GRF commensurate with the size and nature of its contingent liability.

In February 1983, the Congressional Budget Office [CBO] noted in its analysis of the President's budget proposals for fiscal year 1984 that no request was made for reserves to cover new FMS guaranteed loans, even though a substantial proportion of the loans should be considered risky. The CBO pointed out that the proposed fiscal year 1983 supplemental and fiscal year 1984 guaranteed loan programs included over

$1,000,000,000 in loans to 14 countries that are receiving balance-of-payments assistance from the International Monetary Fund [IMF].

In hearings before the Committee in 1983 the then Undersecretary of State for Security Assistance acknowledged that the GRF was not adequately capitalized to cover future defaults and debt rescheduling. He added that the administration recognized that there would be a need to provide for replenishment of the GRF by fiscal year 1985. In effect, any necessary action would be deferred until the very last minute, despite the fact that the development of a significant problem was well advanced. It is that approach to the GRF and FMS financing that has led the U.S. Government to its present difficulties. It is that approach and the philosophy behind it that is expressed by the Secretary of Defense in this letter to the chairman of the Foreign Operations Subcommittee.

THE SECRETARY OF DEFENSE,
Washington, DC, September 2, 1987.

Hon. DANIEL K. INOUYE,
Chairman, Subcommittee on Foreign Operations, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: I believe that the fiscal year 1988 budget resolution, if adhered to by the Appropriations Committees, would slash international affairs funding so much that it would run the grave risk of devastating U.S. foreign and national security policies. I ask you to consider the serious implications for American interests of unchecked international conflict and poverty. If the regrettable trend continues of funding international affairs as if it were an expendable adjunct to our domestic priorities, we should be prepared to face the consequences.

Congress has traditionally invested 1.7 percent of the Federal budget in international affairs. This level of investment has allowed the United States to maintain a leadership role in an increasingly diverse world, preserve our vital international economic interests, deter or manage international conflict, and influence favorably independent and democratic political development throughout the world.

In fiscal year 1987, Congress used Gramm-Rudman-Hollings as a mechanism to reduce the deficit and slashed $2,000,000,000 from international affairs funding. This action reduced international affairs' share of the Federal budget to only 1.5 percent. These cuts in most cases, have led our friends and allies to question our commitment and willingness to lead the Free World. Economic and military assistance funds that we need to provide for our friends' and allies' economic needs and military security have been severley reduced. Unfortunately, the cuts are destroying our ability to represent effectively our interests and values to the world.

Similarly, the fiscal year 1988 budget resolution would further reduce international affairs funding by at least another $650,000,000 below the fiscal year 1987 level, reducing its share of the budget to only 1.4 percent. At the 1.4 percent funding level or even at the fiscal year 1987 level, the programs traditionally earmarked by Congress will cause major disruption to the programs of other countries upon which we rely. We cannot afford to place ourselves in the self-defeating position of either reducing our financial support for the Camp David accords or completely walking away from vital interests elsewhere in the world.

The budget resolution also directs that one-half billion dollars of this seriously deficient funding level be diverted from meeting urgent foreign policy requirements to cover anticipated arrearages of the Guarantee Reserve Fund. This provision further punishes our foreign policy for an arrearage situation largely caused by our own interest rates and the severe global economic conditions at the beginning of this decade in order to solve an accounting problem that can be handled by other means.

The defense of such vital interests as our national security does not require increased Federal spending, but only the restoration of international affairs' traditional share of the budget. I hope you agree with the President, Secretary Shultz, and me that we have no sensible alternative.

Sincerely,

CASPAR WEINBERGER.

The Committee wishes to make it clear that it is interested in finding a solution to the problem of the Guaranty Reserve Fund and FMS credit financing in general. The Congress has been an accomplice with the executive branch in avoiding the need to establish and maintain financial regularity in the FMS credit program. But decisive action to this end can no longer be delayed. While there is no quick solution to the fundamental problem of reducing FMS debt obligations, the Committee intends to move toward that goal by boldly addressing the problem of the Guaranty Reserve Fund. Consequently, the Committee proposes:

One, permanent indefinite spending authority to cover losses arising from defaults or reschedulings of debt due to the Guaranty Reserve Fund, with appropriate safeguards to forestall premeditated default, and;

Two, the Committee proposes language strengthening existing authorities to allow the President to sell or transfer existing guarantees of FMS debt, thereby reducing the debt servicing burden of heavily indebted FMS recipients.

PROHIBITION ON ASSISTANCE TO PANAMA

The Committee believes that strong measures must be taken to demonstrate the United States Government's commitment to democracy in Panama. Because of recent repressive measures taken by the Government of Panama [GOP] and the Panama Defense Forces [PDF] against the people of Panama, this Committee has eliminated Government-directed economic assistance and all military assistance. The Committee also eliminates Panama's sugar export quota to the United States. This quota will be redistributed to other sugar-exporting nations unless freedom of the press and other constitutional guarantees are restored to the people of Panama.

In addition, the Committee prohibits U.S. participation in joint military exercises in Panama during calendar year 1988. The Committee believes that such exercises would send the wrong signal of implicit United States military support of General Manuel Noriega, Commander of the PDF and de facto ruler of Panama. It is therefore gratifying that the Department of Defense has responded to this concern by terminating their proposed exercises, Kindle Liberty and Kings Guard 88, which had been scheduled for January 1988. The Committee bill language will prohibit any such exercise in all of 1988.

Finally, as a further response to the current political and human rights situation in Panama, the Committee directs the Departments of State and Defense to provide the Committee with a report within 90 days of enactment of this legislation which details the advisability of moving the United States Southern Command from Panamanian soil. It is clear that General Noriega has used the presence of SouthCom in his country as an indication of U.S. military support for his rule. If that is the case, and General Noriega continues in power, serious consideration should be given to moving SouthCom.

ASSISTANCE TO PAKISTAN

The issue of United States assistance to Pakistan has been at the forefront of congressional debates on foreign assistance programs this year, and a series of events have made it essential for the Committee to address the entire issue of assistance to Pakistan in detail. The Symington amendment waiver authority for Pakistan expired on September 30, 1987, and, in order for assistance to Pakistan to continue, the authority for the waiver must be extended in some form. The House Foreign Affairs and Senate Foreign Relations Committees each adopted provisions granting authority for 2-year waivers of the Symington amendment in April. These provisions took a regional approach to the nonproliferation issue in South Asia, and did not include any major new restrictions on assistance. Soon thereafter, however, a Pakistani-born Canadian citizen was arrested for trying to export to Pakistan a specialty steel used in uranium-enriching centrifuges, raising the concern that a more comprehensive solution to the nonproliferation issue in South Asia was needed.

At the same time, events this year have also made clear both Pakistan's strategic importance to the United States and the need to continue the United States-Pakistan relationship. The war in Afghanistan is going particularly well for the Afghan mujahideen, and Pakistan's assistance has been an essential element to that success. In the Persian Gulf, Pakistan's quiet assistance to the United States has been vital to our efforts in the recent crisis. Pakistan remains our sole military partner in the region working to restrain Soviet expansionism.

In this context, the Committee has developed a new proposal on assistance to Pakistan which melds together the elements of current proposals on Pakistan in the Congress. It provides a 6-year waiver of the Symington amendment; a prohibition on assistance to India or Pakistan if either is producing weapons grade nuclear materials; and a requirement for a Presidential report on the *Pervez* case. Under the Committee's proposal, assistance could be continued under a Presidential waiver, if both parties are found to be producing weapons grade nuclear materials.

Throughout the debate on assistance to Pakistan this year, two elements to the debate have been constant. Unfortunately, these have been treated parallel to one another. They are: (1) finding a way to prevent further enrichment of weapons grade nuclear materials; and, (2) finding a way to make a regional approach to the issue a central element of the nuclear debate. The *Arshad Pervez* case intensified the debate in the Congress on nuclear proliferation in South Asia. Nonetheless, it did not alter the central issues of the debate; it remained a matter of resolving enrichment questions in a regional context. Indeed, the main thrust of Senate Resolution 266, introduced in the Senate in the aftermath of the Pervez incident, and approved on a voice vote on July 31, was its expression of the need for a solution to the enrichment issue and the importance of the regional solution to the problem.

In the opinion of the Committee, none of the proposals set forth so far this year have satisfactorily engaged both of the issues together in a comprehensive manner.

At the same time, the Committee bill seeks to find a solution to the issue which will adequately address the nuclear question over the long term and yet not irreparably damage the United States-Pakistan relationship. The Committee is concerned that some of the proposals under discussion would result in a cutoff of United States assistance to Pakistan, particularly in the military area. It is the considered judgment of the Committee that such a cutoff is not in the national interests of the United States.

The Committee shares the conviction that the nuclear nonproliferation issue in South Asia can only be resolved through a regional approach. The Senate must face the fact that the root cause of the nuclear problem in South Asia is competition between India and Pakistan. It is precisely this competition which negates ongoing efforts on the part of the United States to resolve the nuclear issue. While the United States may not be able to get both countries to work together to resolve this issue, the United States must work with each and must work to ensure that our policy regarding nuclear nonproliferation in South Asia encompasses the factors which are at the base of proliferation.

In one sense, this is a departure from previous congressional and U.S. policy on nuclear nonproliferation, but in another, more fundamental sense, it is a necessary extension of that policy. Previously, U.S. policy with regard to nuclear nonproliferation has occurred on a purely bilateral basis, between the United States and the country in question. That approach has worked with well over 100 countries, and must continue to be the central focus of U.S. nonproliferation policy. At the same time, however, it has become clear that in certain cases—Brazil and Argentina in one instance, India and Pakistan in another—the issue of nonproliferation must be dealt with in a different way and on a regional basis. In those cases, it is clear that the United States must not only abide by the provisions of the Nuclear Nonproliferation Treaty and the Nuclear Nonproliferation Act, it must also try to develop a solution which matches the regional nature of the causative factors of proliferation. This is what the Committee bill does.

THE SOUTH ASIA PROVISION

The following is a detailed discussion of the Committee's recommended provision. The Committee urges all members to read and carefully study this provision. It is detailed; it is complex. We know of no way of addressing the substance of this extremely complicated issue other than to provide the Senate an opportunity to review the provision in detail.

The Committee provision states that, beginning 6 months from the date of enactment, no country in South Asia which the President determines is producing weapons grade enriched uranium or separated plutonium in facilities which are not subject to international safeguards may receive any U.S. assistance or obtain an export license for the purchase of sophisticated U.S. equipment or technology which has potential military application. If the President subsequently certifies to the Congress that the country has ceased producing such materials or has placed the facilities at which the materials are produced under international safeguards, then assistance may be resumed and export licenses may be issued.

The Committee provision further requires that, at any time during a period that United States bilateral assistance to any country in South Asia has been terminated pursuant to that requirement, the U.S. shall oppose all multilateral development bank loans to that country.

It is the Committee's understanding that under current circumstances aid to Pakistan—and to India—would be terminated under this provision because each presently produces weapons grade nuclear material in unsafeguarded facilities. It is the Committee's strong belief that such a termination would not result in either country ceasing the production of such materials.

Therefore, the Committee adds a provision allowing the President, in strictly limited circumstances, to waive these restrictions for any country in South Asia. In order to do so, the President must certify that a second country in South Asia is producing weapons grade enriched uranium or separated plutonium in unsafeguarded facilities and that the failure of that country to agree to cease production of such materials has resulted in the continued production of such materials by the first country.

The Committee provision further limits the waiver authority by requiring the President to submit certifications and reports under this section to the Congress every 6 months and, if in any such certification and report the President determines that the situation in South Asia has changed then the President shall so certify and shall take whatever action is appropriate. That is, every 6 months the President must review the determination to continue or terminate assistance to either party.

In addition, the Committee proposal does the following:

—It extends the current Symington amendment waiver for Pakistan for 6 years, subject to the restrictions above. Many have convincingly argued that a 6-year waiver is the only way to make Pakistan confident enough in the United States commitment to take serious steps on nonproliferation.

—It requires the President to submit a report to the Congress on the *Arshad Pervez* case prior to issuing any waiver of the Symington amendment for Pakistan. Such a report is essential to clarify once and for all whether Pakistan violated section 670 of the Foreign Assistance Act.

PHILIPPINES

[From the Report of the National Bipartisan Commission on Central America]

> The program the Commission envisions—aimed at promoting democratization, economic growth, human development and security—would break new ground. Most past U.S. development programs have been predominately economic. We agree here that the crisis in Central America cannot be considered in solely economic or political or social or security terms. The requirements for the development of Central America are a seamless web. The actions we recommend represent an attempt to address this complex interrelationship in its totality, not just in its parts.

The Report of the National Bipartisan Commission on Central America, from which the quotation above is excerpted, outlined an overall approach to the problems confronting Central America. At its core was the premise that the achievement of peaceful change is dependent upon a series of mutually reinforcing interrelated factors all of which must happen in tandem for self-sustaining economic growth in a secure political and social environment to occur. Just as it would do little good to promote security concerns at the expense of addressing deep-rooted inequalities in the economic and social structure, so would it be as ineffective to ignore military realities while working to rationalize a country's economy. The test of the policymaker is to recognize the appropriate mix of assistance, and within that context to be able gage the pace of reform efforts so as to avoid actions which may be too precipitous in the country. Although this prescription was designed for the countries of Central America, its validity for the Philippines is just as apparent.

The Committee believes that the Aquino government in the Philippines is making a concerted effort to address the need for broadscale reform. It is making hard economic, social and political decisions in order to achieve peaceful change in the context of equitable and self-sustaining growth. The Committee believes that the Aquino government's efforts deserve the express support of the American people and the U.S. Government. For that reason the Committee has recommended the earmarking of $40,000,000 of development assistance funds, $124,000,000 of economic support funds, and $125,000,000 of grant military assistance funds for the Philippines.

After 14 years of martial law, the Philippines is once again ruled by a civilian government whose primacy has been reinforced with the promulgation of new constitution. Martial law has taken a tremendous toll on the Philippines. The Philippines is a poorer country now than it was 5 years ago. An external debt of approximately $28,000,000,000 means that 45 percent of this year's anticipated export earnings will be needed to finance debt service. To the extent that foreign exchange is used for debt service, it will not be available for activities and policies needed to achieve economic growth. The effective decapitalization of the nation's infrastructure has left the Philippines with less electric power, less transportation capacity, and less communications for each Philippines citizen than 10 years ago.

At the time the Aquino government was elected, the Government of the Philippines owned the country's only airline, banks, steel mills, mining, shipping, and oil corporations. Government policies which supported an import substitution strategy created an inefficient import-dependent, and capital intensive urban-based industrial sector. This course was pursued at the expense of the agricultural sector which suffered from years of neglect and policies which ensured that raw materials would not be provided for urban industry and local demand would be inadequate to stimulate expending production. Increasingly, the rural population became disaffected with the government in Manila. State-controlled monopolies became a drain on scarce foreign exchange reserves. Inefficiency, waste, management, and corruption within the parastatals, and a concomitant demoralization of what had previously been a dynamic private sector, earned the Philippines the appellation of the sick man of the Asia Pacific region.

Economic deterioration only hastened the growth of the Communist insurgency in the rural areas where the local population felt itself increasingly alienated from the central government. Mounting reports of corruption in Manila added to their frustration and fueled the cause of the insurgents. Under these conditions, it is remarkable that Filipino people endured the inequities of the previous government for as long as they did before turning in significant numbers to the Communist insurrection. To the Committee, this is a tribute to the deeply held commitment of the Filipinos to democracy.

During the first 20 months of the Aquino Presidency, the government has made substantial progress in laying the foundation for long-term economic growth by reversing policies which were antithetical to a free-market economy:

—The graft-ridden monopolies in sugar, coconut, meat, and other basic products and services were dismantled. Over 2,000 items were freed from licensing requirements. The dismantling of these trading monopolies has meant higher farmgate prices for the long neglected agricultural sector.

—Price controls, which normally hit the poor the hardest, were removed, and monetary and fiscal policies contributed to a stabilization of both prices and the foreign exchange rate, and a significant reduction in the rate of inflation.

—Successful negotiations were completed on rescheduling the public and commercial debt.

—Tax reforms were effected which increased collections while removing many of the disincentives to agricultural production.

—The Government has completed a comprehensive medium term development plan and a new Public Investment Program. Work is underway to develop a comprehensive agrarian reform program.

The Aquino government has undertaken these economic reforms while at the same time dealing with a domestic insurgency and divisions within the ranks of the military. It also has returned the nation to democracy. The new constitution, ratified by the Filipino people on February 2, reinstates a system of government by checks and balances including a reinvigorated judiciary, and recognizes the importance of attaining economic growth with the equitable sharing of the fruits of that growth among the people of the Philippines.

In sum, the Aquino government has achieved a remarkable record of performance in the relatively short period of its existence.

Much, of course, remains to be done. On the economic side, it is hoped that AID will adopt a pragmatic approach in developing an assistance package for the Philippines. It would appear, at least on the surface, that the direction taken by the Philippines Government is congruent with that proposed by the major donor organizations to the Philippines. Our assistance should complement this process. In some cases, formal conditionality to achieve needed policy reform will be appropriate, in others the policy linkages will be less direct. AID must seek to work in concert with reform minded Philippines leaders to assist them to be successful in implementing their reforms along lines which are compatible with U.S. interests. This will mean assisting the government in its continuing efforts to implement a basis program of market-oriented, private sector-led reforms to ensure the enhancement of the private sector as the prime mover in the national economy. This would also include improvement of rural sector productivity through, among other things, an agriculturally focused program of deregulation, and the overall reduction of government intervention in the process of resource allocation and production, and credit reform in the rural sector.

AGRARIAN REFORM IN THE PHILIPPINES

The new Philippines Constitution mandates the implementation of an agrarian reform program. Such a program is viewed by many as fundamental to addressing the economic and social bases giving rise to the Communist insurgency. Planning for the agrarian reform program is still in its formative stage, however the cost appears to be considerable. Donor support for the program awaits the completion of these plans. Without prejudging the technical merits of the agrarian reform program, the Committee nonetheless recognizes the political and social benefits that may result. For that reason, the Committee has included language recommending the use of $50,000,000 of ESF assistance in support of the program. It is anticipated that such assistance would not be used for compensation of owners assist the Philippines Government in providing the necessary ancillary services (credit, infrastructure) required if an agrarian reform program is to succeed. Similarly, development assistance funds earmarked for the Philippines could also be used in support of the agrarian reform program. Of course, health, family planning and other development activities would not be precluded. (Regarding the Committee's earmark of Development Assistance funds, it is the Committee's intention that these funds may be derived from any functional account and that such funds may be used for any of the purposes of the provision regardless of the account from which they were derived.)

ASSISTANCE TO COOPERATIVES AND PRIVATE AND VOLUNTARY ORGANIZATIONS

The Philippines has been receiving large shipments of food, including shipments under section 416 as sugar quota compensation. This has gone to the government and has not been monetized (that is, sold) with proceeds going to private and voluntary organizations [PVO's] development projects.

A recently completed feasibility study indicates that the major constraint to private cooperative development in the Philippines is the availability of credit. Specifically proposed is a bank for co-ops, which would be available for organizations such as co-ops, credit unions, and rural electric associations. These organizations have been unable to gain access to credit, even at market rates.

In addition to the local currency which would be generated by monetization of Public Law 480 and section 416 commodities, a small amount of dollar funding is required to provide U.S. technical assistance to establish such a bank for cooperatives. Thus, the Committee has earmarked $1,000,000 of the development assistance funds available for the Philippines to complement the local currencies generated through monetization.

The bank for co-ops would not use all the $1,000,000 earmarked by the Committee. The balance would be used to assist CARE, CRS, and other cooperatives and PVO's in a variety of projects (credit, school feeding, self-help projects) which also would be primarily funded through monetization of food commodities.

MILITARY ASSISTANCE TO THE PHILIPPINES

The Committee also is earmarking $125,000,000 in grant military assistance for the Philippines. Communists insurgents are waging a destructive war of attrition against the elected government of the Philippines. Infrastructure is being destroyed and those in the countryside who wish to give the Aquino government time to turn the country's economy around are being made to suffer. While waging this war of attrition, it also has become clear to the government that its military has a legitimate need for equipment, housing, and other necessities that have not adequately been met. Those elements of the military armed forces which constitute the professional military, must be provided with the resources with which to bring the rural insurgency to a conclusion so that the process of economic and political democratization may continue. This is the reason for the Committee's earmark of funds. In a speech on October 20 before a group of Filipino business leaders in Manila, President Aquino stated:

> Of course, military initiatives are not enough. Economic improvement and expanded social services rate the long term and final solutions. But we need military victories to buy us the time to make our programs work: To buy us the conditions in which our services can reach the people and change their lives for the better.

The interrelationships expressed in this speech are those addressed in the approach to the problems in Central American as contained in the report of the Kissinger Commission—an emphasis on meeting the political, economic and social aspirations of its citizens while at the same time preserving the physical security of the nation. The Committee fully supports the efforts of the Aquino government and has earmarked funds in this bill for the Philippines as a demonstration of that support.

HAITI

The Committee is greatly distressed by the failure of the Government of Haiti to hold a scheduled national election on November 29, 1987. Had its pledge been honored, the people of Haiti would have experienced their first free election in over 30 years. Instead, the government bowed to a wave of violence and voter intimidation which left nearly 20 citizens dead and many more wounded. Eyewitness accounts attribute most of the killings to the Ton-Tons Macoutes, the solders of the ousted President Jean Claude Duvalier. The Committee joins with the administration in condemning these acts of brutality against unarmed civilians and notes, with alarm, other reports which suggest that members of the regular Haitian military may have acted in collusion with the followers of Duvalier.

While these developments represent a personal tragedy for the citizens of Haiti, they also represent a setback for all those seeking peace and democracy through the Caribbean. Over the years, this Committee has worked closely with the administration to promote policies which encourage economic growth, the advancement of personal liberties and the political enfranchisement of the people of the region. The Caribbean Basin Initiative, backed by $363,700,000 in U.S. Government economic assistance since 1982, is evidence of the ongoing American concern for the social and economic development of this country's southern neighbors.

Yet, all of these positive efforts are put at risk when the institutions of democratic government are not respected. The Committee had held out hope that the transition from Duvalier family rule would herald a new beginning in the political life of Haiti. However, the spate of political killings and harassment which has accompanied this change has called into question the commitment of the provisional government to its own rhetoric of reform. Recent events clearly demonstrate that Haiti's leadership must do more to instill confidence in the citizenry that life and property will be protected against those who would turn the clock back to a more repressive time. While the Committee will continue to work for democratic reform in Haiti, it also would like to serve notice that it is watching closely the way in which the provisional government handles the challenges before it and fulfills its pledge to free and fair election.

The Committee is greatly distressed by the recent increase in violence in Haiti. The murder of political leaders, including presidential candidate Mr. Yves Volel, who was assassinated on the steps of police headquarters in Port au Prince, is one of the more obvious manifestations of the corruption and venality which permeates Haitian political life and which threatens Haiti's ability to shake off years of autocratic rule in favor of a just and free democracy.

The most alarming aspect of the violence in Haiti is the apparent complicity of the very institutions which are expected to be the guardians of freedom and individual rights. Haitian security forces have been implicated in attacks on the offices of the Provisional Electoral Council and in raids on unarmed civilians. This obvious effort to intimidate the electorate has resulted in the deaths of many Haitians.

To this point, those in positions of authority have been unwilling to effectively investigate the actions of its security forces. Foreign and domestic journalists have been beaten, detained, and shot. Union leaders have been arrested in an obvious effort to intimidate opposition and these efforts at intimidation have even extended to assaults on church and community leaders.

This litany of human rights abuses is being visited upon a people who, through most of the history of Haiti as an independent nation, have suffered under one autocratic ruler after another. The Duvalier regimes during the past 30 years have been the most offensive of these, and the most detrimental to the well-being of the Haitian people. While the rest of the Caribbean region has been making progress toward the institutionalization of democratic values and the achievement of equitable patterns of economic growth, the Haitian people have been left behind. Economic and social indicators reveal the stagnation in Haiti: per capita income, $330; people living below the absolute poverty level of $150, 80 percent; literacy rate, 22 percent; infant mortality rate, 124 per 1,000 children.

In Haiti, as in the Philippines, popular expectations of political and economic regeneration were very high following the overthrow of despotic governments. But this has not come to Haiti. Instead, many who were the beneficiaries under the Duvalier regime are attempting to continue their domination over the economic and political life of the country. The Committee is concerned that the poverty, instability, and political repression that has characterized most of Haiti's existence appears to be deeply intrenched. The hopes that arose from the end of the Duvalier regime now appear to be far from fulfillment.

The Committee is aware that the provisional government has taken some initial steps in an effort to begin the reconstruction of the Haitian economy. Government monopolies in sugar, cement, and vegetable oil have been eliminated. Tax reforms, particularly the elimination of certain export taxes, will help to generate foreign exchange. The government is also increasing recurrent spending for education, health, and agricultural services. These efforts are welcomed but, by themselves, will not be enough. Foreign investment will not occur in an atmosphere of political unrest and violence. The government cannot reasonably expect more than subsistence production from a population which feels that its interests are not represented by that government. Eventually, even the limited efforts being undertaken by the government will not succeed, in the absence of significant political reform.

Democracy is not easy to achieve. It is especially difficult in the circumstances of Haiti where political corruption and economic stagnation have been endemic. Yet, if democracy is to succeed and equitable economic growth is to occur, then those elements which brought Haiti to its present sad position must not be allowed to subvert the process begun on February 7, 1986, with the removal of the Duvalier government. The Committee urges AID to reinforce policy reforms aimed at removing the government from unnecessary direct participation in the economy. AID must also act to encourage production, particularly in light industry and export crops. These measures, coupled with the expansion of employment opportunities, growth in the agricultural sector, and assistance in basic education and health, will complement the hoped for political change in Haiti.

In consideration of all of these factors, the Committee has included a general provision in the bill which prohibits any of the funds appropriated under title III of the bill, military assistance, from being made available for Haiti. Furthermore, the Committee bill requires that before any funds are obligated for Haiti notifications must be submitted to the Committee on Appropriations. The Committee intends to review proposed activities carefully and to measure them by the standard of how much they directly contribute to the reinforcement of the democratic impulse in Haiti.

ASIA AND NEAR EAST BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT

The Committee regards the decision to consolidate management responsibilities for Agency for International Development [AID] programs for Asia and for the Near East into a single Bureau as a mistake in need of correction.

The Committee has had a continuing concern with the effects of this reorganization. In the first place, the Committee questions whether the creation of such an amalgam of programs is truly efficient and whether direct managerial oversight, at the Bureau level, is lost simply because of the shere size of the area and programs under the Bureau's purview. The Asia/Near East bureau, in terms of funding available to it and the geographic area it encompasses, has considerably more program responsibility than any other in the Agency. It is too large to manage.

More than just the scope of the Bureau's duties, however, is of concern to the Committee. The current organizational arrangement consolidates program responsibility for two broad regions of the world which are distinctly dissimilar in culture, economic assistance requirements, and in their relationship to the United States.

The assistance program in the Near East is dominated by the requirements of the Camp David peace process and the programs for Egypt and Israel. Activities are largely funded from the Economic Support Fund. Moreover, in addition to these programs, the Agency has chosen to include within the former Bureau for the Near East, programs benefiting our NATO allies, the program for Turkey being of particular significance. It is important to note that both the Camp David and European programs are centered on cash transfer assistance requiring that interaction with the aid recipient be conducted, for the most part, at the macroeconomic level. In the case of Egypt, where AID's largest overseas mission is located, the program is characterized by massive transfers of resources from the United States and even project assistance is conducted on a scale not found anywhere else in AID's portfolio.

In contrast, programs in the Asia region more closely resemble those which traditionally have been funded to meet development assistance objectives. The programs, although in several cases large, are not dominated by the cash transfer form of assistance. The needs of these countries are more basic and fundamental than the larger recipients in the Near East region. As a result, countries such as Bangladesh, Indonesia, and Sri Lanka, as well as those in the South Pacific region, require and receive assistance which is predominantly of a development project nature. For the most part, even the ESF assistance provided to the countries in this region takes on a greater development character. Quite different skills are required of AID employees and managers.

AID undertook to reorganize its operations and create a single Bureau for Asia and the Near East in an effort to achieve certain administrative savings. Without passing on whether these savings are real or illusory, the Committee does not accept that they are worth the cost of combining program responsibilities for administering such dissimilar programs taking place in such dissimilar regions into a single bureau.

BUDGET CONSEQUENCES

But more importantly, the establishment of a single bureau with responsibility for these two diverse regions has created some unintended and significant budget consequences. Without a doubt, important countries in the area which comprised AID's former Asia Bureau are vital to the national interests of the United States. The strategic location of these countries and the close cultural and economic ties that the U.S. shares with them, make these national interest considerations self-evident. At the same time, however, the growth and stability of many of the countries of the region are being limited by economic circumstances that require the involvement of the donor community on a large scale and which threaten the interests of the United States in promoting political stability and democracy in the region.

Notwithstanding the demonstrable importance of the region to U.S. interests, and the need it has for assistance, AID's bureaucratic reorganization has had the effect of diminishing the resources available to countries in the Asia region. For fiscal year 1988, the administration proposed an economic assistance level for programs for Asia and the Near East of approximately $3.1 million. Much of this, however, is proposed for countries favored by the Congress. When the total is reduced by the amounts for earmarked programs in the Near East and for assistance to our NATO allies and Pakistan, precious little remains for programs in South and East Asia and the Pacific.

A further illustration of the unintended effects of earmarkings within the Bureau total is the ESF and Development Assistance allocation which occured in fiscal year 1987. While AID's overall requests for development assistance and ESF funding were reduced by 8 percent and 14 percent respectively, assistance for nonearmarked countries in the Bureau was reduced by 29 percent from the request. As percentage reductions were taken by each AID Bureau, in Asia and the Near East the protection given to earmarked countries meant that the programs bearing the greatest burdens of the overall reductions would necessarily be in the East Asia and South Asia and Pacific regions.

It thus appears to the Committee that there is built into this reorganization of AID something akin to a conflict of interest. Because the Bureau is large, its overall budget is large. Yet this works to the detriment of programs for certain countries. In internal budget deliberations, because earmarkings exempt large portions of its overall budget from cuts, the Asia and Near East Bureau must absorb, in the small remaining fraction of its overall budget, across-the-board percentage reductions which are based on the larger Bureau total.

The Committee does not believe that the present organizational structure of AID is well-designed to adequately promote and protect, in the process by which AID's bureaucracy considers budget requests and country allocations, United States interests in the countries in the Asia region. Unless its interests are represented separately within the bureaucracy, the Committee believes that it is inevitable that the Asia side of the equation will continue to be shortchanged.

Therefore, the Committee directs AID to reestablish separate bureaus for its programs in the Near East and Asia regions. For fiscal year 1989, the Committee expects the Agency to present and administer its programs in Asia under a separate bureau.

REPROGRAMMING AND INITIATION OF NEW PROGRAMS

The Committee's responsibilities require that it be fully informed as to the nature, funding level, and location of each activity, program, project, type of material assistance, or other operation for which funds are appropriated in this bill. Moreover, the Committee must be able to inform the Senate of the amounts of assistance proposed for each country and regional program.

Any activity, program, project, type of material assistance, or other operation specifically set forth by amount to be obligated in fiscal year 1988, and by country in the fiscal year 1988 congressional presentation document shall be deemed to have been justified and the Committee informed. Conversely, any activity, program, project, type of material assistance, or other operation not specifically set forth by amount to be obligated in fiscal year 1988, and by country in the fiscal year 1988 congressional presentation document shall be deemed not to have been justified and the Committee not informed. In addition, any matter specifically deleted by the Committee in this report shall be deemed not to have been justified for purposes of reprogramming requirements. Also, the Committee has directed in its bill that for certain countries any assistance to be provided in fiscal year 1988 be notified in advance of obligation.

In furtherance of the Committee's oversight responsibilities, it directs that the departments and agencies concerned notify the chairman and ranking minority member of the Subcommittee on Foreign Operations 15 days in advance of the initiation of any activity, program, project, type of material assistance, or other operation which was not specifically set forth by amount to be obligated in fiscal year 1988 and by country in the fiscal year 1988 congressional presentation document. In addition, notification should also be made before substantial changes are made in the amounts specified for such activity, program, project, country, type of material assistance, or other operation in the congressional presentation document for obligation in fiscal year 1988.

Moreover, the Committee expects to be informed about any reductions or cancellations of projects or programs presented in the congressional presentation document. Whenever possible, the Committee should be notified in advance of any reduction or cancellation; at a minimum, the Committee expects to be informed about such reductions or eliminations on a quarterly basis. These quarterly reports should be submitted to the chairman and ranking minority member of the Subcommittee on Foreign Operations.

The Committee is deeply concerned about maintaining the integrity of the reprogramming process and about ensuring that it has necessary and sufficient information to fulfill its obligations to the Senate. Therefore, the Committee has determined that it is timely to change the reprogramming process which it established nearly 10 years ago. The changes which the Committee has agreed to incorporate into its reprogramming requirements are made in the spirit of comity between the Congress and the Executive. It should be clearly understood, however, that this Committee will defend the power of the purse; reprogramming authority is a privilege granted for the purpose of achieving more orderly and more efficient government. Should this privilege be abused, the Committee will revoke it and restore more stringent controls in the reprogramming process.

The Committee has, over a period of years, become increasingly concerned with the relevancy of the reprogramming process both in terms of the workload it imposes on the agencies and the meaningfulness of the information submitted to the Congress. In the case of Agency for International Development [AID] the evolutionary development of the reprogramming process has led to a flood of reprogramming notifications for relatively small amounts of money. The sheer volume of these notifications has often made it impossible for the Committee or AID to focus on those reprogrammings of greatest policy and funding significance.

Appropriations acts and the Foreign Assistance Act have not defined under what circumstances an activity is considered to have been justified to the Congress. As a result, this has left each foreign assistance agency to develop its own procedures with authorizing and appropriations committees. This Committee, for example, sets forth in its annual report the standards for determining how it will judge what has and what has not been justified. Following this, for AID, current law requires the agency to submit reprogramming notifications for numerous and different reasons. For example, whenever the amount AID intends to obligate for a project (either development or Economic Support Fund assistance) exceeds by any amount the level for obligation contained in its congressional presentation document, AID is required to submit a reprogramming notification.

Since the congressional presentation document [CPD] is based on the amount requested by the agency for its projects, and funds for these projects are often not obligated for as long as 18 months after the CPD is submitted to the Congress, the use of the congressional presentation document as a sole basis for determining whether a notification should be sent to the Congress is guaranteed to generate more notifications than is necessary. Similarly, the requirement to notify the Congress whenever the amount proposed for obligation for an AID project (or its life-of-project funding level) exceeds the amount contained in the CPD, means that AID is submitting notifications for truly de minimis changes in the allocation of funds which represent no significant change in the nature of the activity.

The reprogramming of military assistance has created the obverse problem: there are exceedingly few reprogramming notifications provided with respect to the Military Assistance Program [MAP] and Foreign Military Sales [FMS] credit programs, even though the actual content of those programs is under constant review and change. The difficulties this lack of congressional oversight can cause have come to the fore in particular in fiscal years 1986 and 1987. The problem is particularly notable in the context of the MAP Program, where the administration has argued that, through procedures which allow MAP funds to be merged with FMS moneys, reprogramming notifications are required only when the amount of assistance to a country exceeds the total amount stated (and, therefore, justified) in the CPD. The administration claims that, since it does not attempt to justify assistance by type of equipment or service to be provided through MAP, it is not required to provide a notification to the Committee when it modifies the type or amount of particular equipment or services it intends to provide.

The Committee strongly rejects these arguments. In providing MAP merger authority, the Congress never intended to remove the requirement that it be notified when new programs or activities were initiated or whenever programs or activities which had been justified to it were substantially altered. The reaction to the administration's specious reasoning on this matter has been very strong. In fact, some Members of Congress argue that, to increase Congress' ability to oversee the Security Assistance Program, MAP merger procedures should be barred. Unfortunately, this would result in a substantial increase in cost and overhead, which the Committee desires to avoid, particularly in this time of limited resources.

After extensive discussions with appropriate officials in the Department of State and the Defense Security Assistance Agency, the Committee has developed an alternative approach which, we believe, will achieve the goal of appropriate and timely notification to the Committee while providing adequate discretion for implementation of the Security Assistance Program. This approach will apply to the use of funds in both the "MAP" and "FMS credit" accounts.

The approach adopted by the Committee continues in effect the use of the congressional presentation document [CPD] as setting the justified baseline for country-level programs for both MAP and FMS credits. Increases in total country levels from the CPD will continue to be subject to reprogramming requirements. In addition, the CPD projections for types and amounts of defense articles will set the starting point for justifying the MAP and FMS credit programs country by country. The Committee recognizes that the data underlying the CPD is often out of date by the time the appropriations act is passed. Therefore, the administration shall provide within 30 days of submitting the allocation report required by section 653 of the Foreign Assistance Act, an updated report of types of defense articles intended to be provided as well as amounts thereof. This report will be treated as a reprogramming notification and following conclusion of the process for consideration of that reprogramming, the CPD as supplemented by this report will be treated as having established the operative baseline levels for articles to be provided through the MAP and FMS Credit Programs.

Thereafter, programs within these baseline parameters, and types of assistance provided through those programs, will be treated as justified, except as follows: (1) any increases in total country-level program above the CPD level; and (2) any increase in amounts for any major defense equipment [MDE] as defined by section 47(6) of the Arms Export Control Act, other than conventional ammunition, for which preparation of a letter of offer and acceptance [LOA] is in progress and which MDE has not been included on any of the lists for the applicable fiscal year provided to the Committee.

Changes in program levels and types of assistance which fall into either of these categories will be subject to reprogramming procedures, except that category 2 reprogrammings will not be required for any country for which the relevant funds were earmarked unless and until the earmarked amounts are exceeded.

The Committee believes that different rules are appropriate for reprogrammings pertaining to defense services. In many cases, the size of defense service programs offered to foreign countries is so minor and so clearly noncontroversial as not to raise any substantial requirement for congressional oversight. On the other hand, there are circumstances in which services of a more controversial nature must be provided on an expedited basis. This is most often the case when the service involves transporting foreign troops within the borders of a foreign country for operational purposes.

These latter cases are frequently controversial. Nonetheless, the need for expedition must also be met. For this reason, the Committee is generally exempting changes in proposals with respect to defense services from formal reprogramming requirements. However, the Committee expects that any substantial increases in defense services above the amount or types identified to the Congress in the CPD or the supplemental report will be notified in advance to the Committee on an informal basis by the administration. In particular, the Committee insists on being notified in advance of, and being fully informed of the circumstances relating to, the provision of defense services which involve transporting foreign troops, and unless the administration can demonstrate that expedition is absolutely essential, being provided with adequate opportunity to consider the propriety of providing this type of assistance. Obviously, there must be a close, cooperative relationship between this Committee and implementing agencies, if this exemption is to accomplish the objectives of each party.

Therefore, in light of the previous discussion, in order to address its concerns with these economic and security assistance reprogrammings, the Committee is directing the following changes in procedure:

One, within 30 days from the date of submission of the report required by section 653(a) of the Foreign Assistance Act, the Department of State and AID will each submit a report to the Committees on Appropriations, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives, of proposed obligations for the current fiscal year. AID will prepare the report required for Development and Economic Support Fund assistance, the State Department will be responsible for the military assistance report. Each report will be in tabular form and will provide, to the extent this information is known at the time the report is prepared, current information on proposed obligations for the fiscal year.

For AID, this means that the report may update life-of-project and fiscal year funding levels, as well as noting changes in the grant or loan portions of its portfolio, and changes in the accounts from which a project is proposed for funding. For the Department of State, this means that the report will provide, on a county-by-country basis, the current list of MDE which the Department of State proposed to provide in fiscal year 1988.

In each case, the report will designate which items deviate from the congressional presentation.

Two, 15 days after receipt of the report, all items (except those individual items about which the Committees may have questions) which have been designated as differing from the congressional presentation will be considered as having been justified to the Congress. The report will become the basis on which to determine whether any future reprogramming notifications will be necessary.

Three, obviously, not all changes in project funding will be known at the time these global reports are submitted. For those projects or programs, the report may just restate the congressional presentation figures and other fiscal detail, and the CP will, in effect, continue to serve as the basis for reprogramming notifications. Similarly, until such time as the report is submitted to the Committees, the congressional presentation will continue to be the basis for reprogramming actions. Of course, the requirements to submit reprogramming notifications for new projects (that is, projects not identified in the congressional presentation vice new projects which are included and fully described in the CPD) and projects where substantial changes are being proposed remain unchanged.

In addition to the above changes, the Committee has included in the bill an exception to previously enacted reprogramming requirements for AID. Where the proposed funding for a development assistance project would cause the fiscal year obligation level to be increased by less than 20 percent of the amount previously justified to the Congress for that year (with no increase in life-of-project funding except as noted below), no reprogramming notification is required. The Committees have had an opportunity to review these projects in the past. The amount of flexibility being offered by this provision will provide the agency with the ability to make relatively small fiscal year funding adjustments for projects that have previously been considered by the Committees.

The Committee is making one additional adjustment to its reprogramming requirements. AID has a practice of often incrementally funding its projects. It has been the practice of the Committees to require reprogramming notifications whenever the previously authorized life-of-project funding level for a project is proposed to be exceeded. In an attempt to cut down redundant paperwork, without sacrificing the needs of the Committee to oversee the activities of AID, the Committee is requiring notification for only those proposed life-of-project increases of $5,000,000 or greater. This would be in addition to any proposed life-of-project increases designated in the new report required by the Committee.

The Committee is making similar adjustments to the reprogramming requirements as they bear on security assistance programs. The Committee proposes new bill language which will require notification of intented reprogrammings in each case where assistance to any country or regional organization is in excess of the amount previously justified or where the proposed MDE transfer is 20 percent in excess of the quantities previously justified.

Finally, the Committee wishes to inform all other agencies, bureaus, and department for which funds are provided in the foreign assistance, export financing, and related programs appropriations bill (that is, all except AID and programs administered by the Defense Security Assistance Agency [DSAA]) that it will maintain current reprogramming requirements. It is possible the Committee will provide revised procedures for reprogrammings by other entities once it has had an opportunity to review the operation of the changes it is now making for AID and DSAA. It is the Committee's hope that these revised procedures will cut down by a significant degree the time and costliness of the present reprogramming process while, at the same time, better enabling the Committees to more effectively exercise their oversight responsibilities. If both of these goals are not met, the Committee may find it desirable to make further changes.

TITLE I

MULTILATERAL ECONOMIC ASSISTANCE

MULTILATERAL DEVELOPMENT BANKS

U.S. INTERESTS IN PARTICIPATION IN MDB'S

The United States continues to be a strong supporter of the multilateral development banks [MDB's], allocating roughly 15 percent of our foreign economic assistance budget for these organizations. In return, based on an annual contribution of about $1,400,000,000, the United States plays a leading role in determining the direction of about $22,000,000,000 in annual MDB lending to developing countries around the world. The bulk of the loans go to countries of importance to the United States, many of which do not receive assistance through our bilateral aid program, such as Argentina, Brazil, and Mexico.

As such, the MDB's are a major source of financial and technical assistance to low-income countries and they play the important role of intermediaries in the flow of market capital to middle-income countries. In addition to their role as channels of development finance, they are central sources of policy advice, technical services and development research, and focal points for aid-donor coordination.

The Committee attaches the highest level of importance to the efficiency of MDB operations and to their role as an instrument of policy reform in member countries. Therefore, these considerations must remain the principal determinants of our recommendations for U.S. contributions to the several MDB's. These considerations also strongly influence our views on the size and timing of any replenishment of resources or increase in the capital of the MDB's.

The United States has a major interest in a free, open, and stable international economic and financial system. By promoting economic and social development in the Third World, fostering market-oriented economic policies, and preserving a reputation for impartiality and competence, the MDB's can encourage developing countries to participate more fully in an international system based on liberalized trade and capital flows. Thus, the MDB's offer support to U.S. long term global goals of an open, predictable, and growing international economic framework and, through their programs, expand opportunities for U.S. exports, investment, and finance.

Alongside the International Monetary Fund, the MDB's—the World Bank Group, with its global perspective and expertise in macroeconomic and structural reform, and the regional banks, with their infrastructure and sectoral emphasis—serve as the major operating agencies in the Western market-oriented cooperative economic system. Increasingly, coordinating the activities of these international agencies with United States and other bilateral aid programs is proving essential to the efficient use of aid funds and the overall management of the economies of developing countries.

INTERNATIONAL DEBT ISSUES

In addition to carrying out fundamental development activities, MDB—and particularly World Bank—attention continues to focus on the heavily indebted middle-income developing countries because of the impact that their severe financial and economic problems could have on the international economy. Restoring growth for low-income countries in sub-Saharan Africa is considered no less important, although the impact that their economies could have on the economy of the world is smaller. Nevertheless, the costs of a further decline in the per capita incomes of sub-Saharan countries are very high in terms of their effect on the poor.

Debt remains a major constraint for developing countries. It is clear that this barrier to development must be overcome before they can resume meaningful progress in the areas of health, education, transportation, sanitation, resource management, population growth, the role of women, and other vitally important sectors.

Middle-income countries debt.—The international response to the debt crisis in middle-income countries continues to center on Treasury Secretary Baker's October 1985 "Program for Sustained Growth" which he proposed at the annual meetings of the IMF and World Bank in Seoul, Korea. The elements of the program include adoption of comprehensive economic reforms by debtor countries; expanded lending by the international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of donor reforms. These measures also must be supported by a strong and expanding global economic environment.

A key to progress in addressing the debt crisis lies in maintaining the appropriate mix of additional financing and adjustment measures by the countries themselves. In the last several years, considerable progress has been made by the debtor countries in their adjustment efforts. But clearly, additional reform efforts are required. The IMF and the World Bank have provided strong support for debtor's efforts through general economic advice and in the development of growth-oriented programs. New loans under IMF standby programs since October 1985 amount to $4,700,000,000 and, in developing these programs, the IMF has placed greater emphasis on growth. During the same period, the World Bank committed $4,900,000,000 in new policy-based loans to 12 of the major debtors and over $7,500,000,000 in additional policy loans for the 15 major debtors are now underway.

However, anticipated capital flows to the middle-income countries have not materialized as expected and commercial bank participation in new money packages is increasingly difficult to assure. Although commercial banks have rescheduled nearly $130,000,000,000 of outstanding debt and have committed nearly $10,000,000,000 in new lending since 1985, their record of performance does not match the strong financial support for adjusting countries provided by the World Bank and the IMF. Concern remains that some debtors may continue to find it difficult to attract additional commercial lending, despite their adopting good economic programs.

It must be underscored that the MDB's cannot, in any way, become a substitute for continued lending by private creditors which must play their part. But it is important that the full range of instruments available be integrated and brought to bear on the problems facing the debtor countries. The MDB's and the World Bank in particular, have a critical role to play in acting both as a source of funding and as a catalyst for additional private financing. The World Bank has acted as a financial catalyst leveraging about $4,000,000,000 in commercial lending through its participation in bank syndications and the selective use of guarantees.

Low-income country debt.—For the poorest developing countries with protracted balance of payments problems—most of which are in sub-Saharan Africa—members of the IMF and World Bank adopted Secretary Baker's proposal for a joint Fund/Bank policy framework approach which he also proposed at the 1985 IMF/World Bank annual meetings. Under this program, low-income countries work together with the Fund and the Bank to identify problem areas in their economies and agree on a set of comprehensive macroeconomic and structural policy directions for addressing these problems. The policy frameworks also contain an assessment of the country's external financing needs and indicative financing levels from the Bank and the Fund.

Among low-income countries, the most severe debt problems are in some 25 debt-distressed countries, the vast majority of which are in sub-Saharan Africa. The debt of these countries is owed largely to official creditors, in contrast to the relatively large amounts of commercial debt owed by the heavily indebted middle-income countries. These debt-distressed countries have experienced dramatic declines in per capita GDP since 1980, and have grown at less than one-third the rate of other low-income countries around the world. Their export earnings in current dollars were about $2,000,000,000 less in 1985 than in 1980. Today, total outstanding debt as a percentage of exports averages 450 percent, a very high figure.

Even the implementation of the eighth replenishment of IDA alone will not solve the problem. A review of country cases indicates that an additional $1,500,000,000 annually is needed during 1988–90 to provide for the resumption of import growth and some modest growth in per capita GDP and consumption while maintaining debt service payments at a manageable level. The continued generous treatment in rescheduling of official debt through the Paris Club will remain an essential component of any realistic international effort to assist these countries in coping with their economic and financial burdens.

For these countries, continued progress in the adoption of sound domestic policies is imperative if there is to be any hope of restoring economic and fiscal health. About two-thirds of the debt-distressed countries already are undertaking adjustment programs supported by the international community under the leadership of the World Bank with the strong support of the African Development Bank. These efforts have shown a meaningful degree of progress. Ratios of public sector deficits to GDP have declined by about one-half since 1982, increases in government controlled agricultural prices have helped encourage additional production, and headway has been made in the process of restructuring parastatal enterprises.

Much of the policy reform and funding for these programs is based on the joint IMF/IBRD policy frameworks. Funding for these programs by the IMF is through its Structural Adjustment Facility, which consists of about $3,000,000,000 derived from reflows of earlier trust fund loans. World Bank financing is from IDA, primarily from the eighth replenishment. Forty-five to fifty percent of IDA VIII is slated to go to sub-Saharan Africa including a large component of structural and policy based lending.

Continuing role for the MDB's.—Together with the IMF, the World Bank and the regional development banks have an essential role to play in efforts to address the debt problems of developing countries. Clearly, programs of macroeconomic and structural reform must remain the basic tool for addressing these problems. To one degree or another, the economies of all the heavily indebted countries must strengthen the role of the private sector and their reliance on market forces. Where countries are willing to sustain programs of reform, the MDB's should be in a position to support programs of macroeconomic and structural reform with substantial lending.

While the MDB's must not assume any of the risk that properly belongs in the private sector, they must continue to develop and expand their practical working relationships with private sources of finance. The MDB role should be to build confidence in the economies of developing countries, broaden the range of financial instruments aimed at mobilizing new commercial lending and debt reduction, and work to use their own lending increasingly as a financial catalyst.

In the low-income countries, the challenge for the MDB's is especially difficult: to maintain a leadership role in bringing together the right balance of policy reforms and financing which can restore economic momentum. Given the fragility of the economies involved, realistic reform packages will remain difficult to design. Successful implementation requires political determination and adequate financing, with particular emphasis on easing the transitional effects on the poorest segments of the society.

For low-income countries in Africa and other regions, concessional assistance will remain constrained. Although up to 50 percent of IDA VIII will go to sub-Saharan Africa, available resources will barely maintain the level of lending in real terms from IDA and the special facility combined.

The overriding challenge to the MDB's in all developing countries, both middle and low income alike, is the requirement to ensure that available resources are allocated efficiently—for economically productive purposes—and that financing programs are carefully coordinated among the public and private members of the international financial community.

THE ENVIRONMENT AND ECONOMIC DEVELOPMENT IN MULTILATERAL DEVELOPMENT BANK POLICIES

COMMITTEE CONCERNS

The Committee is deeply concerned that the nonsustainable use of natural resources reduces the opportunities for future economic development. The loss of environmental resources has significant economic, social and environmental repercussions. Moreover, the consequences of poor environmental practices often are not limited to the directly affected local area, but have far-reaching country and regional consequences.

The multilateral development banks [MDB's] are the leading international institutions financing development assistance projects around the world. Through direct funding, and indirect participation, billions of dollars are leveraged to promote economic development. The MDB's must, therefore, become one of the leading institutional forces promoting sustainable development.

For this reason, the Committee continues to be concerned about the implementation of lending programs by the MDB's which have far-reaching adverse environmental consequences. Following the extensive commentary in the fiscal year 1987 report, the Committee reiterates that it will continue to evaluate the environmental impact of ongoing lending programs as a measure of success in evaluating institutional reforms and the MDB's. The adoption of appropriate environmental policies are important first steps, but the Committee will focus its evaluation on the environmental quality of loans as the primary indicator of success.

VARIABLE RESPONSES

The Committee notes that there is considerable variation in the progress of each MDB in responding to legislation adopted in recent years regarding environmental reform. The Committee is not satisfied with the actions of any of these institutions, but notes that some progress is being made.

The Secretary of the Treasury is expected to continue, and if necessary intensify, his efforts to encourage MDB implementation of the reforms provided for in previous appropriations bills. As part of his annual report to the Appropriations Committee, the Secretary has identified shortcomings at several MDB's in implementing the reforms called for in this legislation. The Secretary is expected to take the necessary actions to encourage the MDB's to correct these shortcomings. For its part, the Committee is prepared to withhold funding and to take other measures, as necessary, to secure appropriate reforms in the MDB's.

The World Bank's environmental reorganization is the most notable institutional reform. The effort to place environmental protection on an equal footing with economic potential in the assessment of potential loans is an excellent step. The Committee is concerned, however, that the policies announced by the World Bank in May of this year are not yet implemented.

After extensive review, the Committee is impressed with the African Development Bank's receptiveness to environmental reform. The African Development Bank has perhaps the clearest understanding and strongest interest of any MDB of the importance of environmental protection for economic development to occur. Yet, the institutional reforms needed to give environmental protection adequate priority are not in place. Attention should be focused on developing in-house expertise in the environmental sciences and reforming decision criteria to protect the environment.

The Inter-American Development Bank continues to lag behind the other institutions in implementing environmental reforms. The Committee notes particularly the reluctance of the Bank to implement environmental provisions of existing contracts. An initiative to require the enforcement of the demarcation components of the Porto Velho/Rio Branco loan may be seen as a positive step, but was taken only after repeated urging of this Committee. Even in this case, there is some question that the IDB acted quickly enough or with sufficient determination. The Committee is presently reviewing the question of whether the IDB fully utilized the authorities available to it in its treatment of a suspension of loan disbursements under the contract for this loan.

While many other aspects of MDB performances were factored into the Committee's recommended funding levels, MDB management would be well advised to give some thought to the fact that the distribution of funds to these institutions has been shaped largely by the unequal action of the various MDB's in responding to the reforms called for by Public Law 99–951.

WETLANDS

The health of wetlands, tropical forests, semiarid grassland savannas, and major river arteries have implications that reach far beyond local ecological interests. They shape local economic conditions, regional and global environmental conditions, and political stability of the affected region. The Committee is committed to pursuing the long-term protection of environmental resources, and committed to the concept of sustainable development.

The Committee has specially targeted wetlands and tropical forests for protection. These are two of the most productive ecological systems, with tremendous biological diversity. In addition to the valuable functions which wetlands and forests serve in temperate climates, there are additional reasons for protecting these systems in developing nations. Of particular note are the indigenous uses of these systems for food production, and stabilizing the environmental resources of the region. For these reasons the Committee expects the Secretary of the Treasury to give special consideration to these systems when preparing his voting instruction for the several U.S. Executive Directors.

The AID early warning system already has proven its value in helping reform potential MDB projects. This advanced notification of potential loans with significant adverse environmental impacts is used to restructure those loans, shape U.S. voting instructions, and is used by other sponsors to identify potential problem loans. It is our expectation that this program will continue to be refined, and its uses broadened.

A significant new requirement has been added to this year's legislation to promote the adoption and implementation of more solid pest control programs. It is the intent of the United States to encourage the expansion and further development of integrated pest management and biological control of agricultural pests in MDB-funded lending programs. The Secretary of the Treasury shall direct the U.S. Executive Director to each MDB to examine the degree to which Bank policies and decisions affect the use of pesticides on Bank-supported agricultural development projects. The Secretary shall report the findings of this analysis to the Appropriations Committees by June 1, 1988.

To implement this policy, the Secretary of the Treasury shall instruct the U.S. Executive Directors to each MDB to promote the establishment of procedures to review agriculture-related loan programs to determine how integrated pest management and biological control of pests can be utilized as common practices by borrowers.

The Committee has included a provision requiring the Secretary of the Treasury to assess potential opportunities to protect developing country environmental resources through programs which address debt repayment. The condition of many developing nations environmental resources and debt obligations are often closely related. As environmental resources are degraded economic opportunities are forgone. In order to protect future economic opportunities environmental resources must be protected.

The Committee recognizes the extreme complexities involved in any effort to shape programs to address the international debt problem. Consequently, we wish to give the Secretary of the Treasury considerable flexibility in determining how specific debt-related programs must be shaped to protect environmental resources. This flexibility, however, should not be misconstrued; we expect significant progress in developing such programs and we have every confidence that progress can be made. The Committee recognizes and appreciates the extensive cooperation of the U.S. Treasury Department in supporting our efforts to promote environmental reform of the MDB's.

TRADE PRACTICES OF COUNTRIES WHICH RECEIVE MULTILATERAL DEVELOPMENT ASSISTANCE

In light of increased foreign trade deficits and unemployment in import sensitive industries, the Committee directs the Treasury Department to instruct U.S. representatives to the multilateral development banks and the International Monetary Fund to oppose and vote against loans which would subsidize development of export industries in countries which receive loans from these institutions and which are engaged in dumping or other unfair trade practices with the United States.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Appropriation, 1987	$55,805,000
Budget request, 1988	204,909,039
House allowance	36,794,050
Committee recommendation	40,176,393

The administration has requested $204,909,039 in budget authority and $2,169,161,009 in callable capital for the International Bank for Reconstruction and Development for fiscal year 1988. The administration's request consists of:

	Budget authority	Callable capital
1981 general capital increase	$58,615,450	$664,735,258
1970 selective capital increase	14,845,169	133,606,516
1984 selective capital increase	131,448,420	1,370,819,235
Total 1988 request	204,909,039	2,169,161,009

HISTORY AND BASIS OF U.S. PARTICIPATION

The World Bank formally began its operations in 1946 with 38 members. It was established as a result of the Bretton Woods Agreements to help restore economies disrupted or destroyed by war, to encourage the development of productive facilities and resources in developing countries, and to promote long-range balanced growth of international trade. Since the successful reconstruction of Europe, Bank operations have centered almost entirely on the developing world. Indeed, its membership has more than tripled with the emergence of new nations in the Third World.

PROGRAMS AND POLICY DIRECTIONS

The Bank's charter spells out certain basic rules that govern its operations. It lends only for productive purposes and it acts to stimulate economic growth in the countries where it lends. It is obliged to pay due regard to the prospects of repayment. Each loan is made to a government or it must have a governmental guarantee. The Bank cannot specify that proceeds of the loan must be spent in any particular member country. The Bank's decisions to lend must be based only on economic considerations. In addition, the operating rules of the Bank require that the economic, social and environmental consequences of a project be carefully examined as each loan appraisal is made. The IBRD has specific policies for ensuring that projects use appropriate technology, benefit the poorest sectors of the population to the maximum possible extent, and do not finance products in global surplus. IBRD loans also encourage economic reforms, such as realistic pricing policies and privatization programs.

The World Bank's capital is subscribed by its member countries. However, it finances the bulk of its lending operations with borrowings from private capital markets. Its loans generally have a grace period of 5 years and are repayable over 20 years or less. The loans are directed toward developing member countries, and generally to those at relatively more advanced stages of economic and social development.

The Bank's policies and programs continue to emphasize its central role as a catalyst for economic development and as a leader in poverty reduction. In recent years, it has focused an increasing amount of its lending on policy-based programs aimed at economic adjustment and growth and trade liberalization among developing countries. At the same time, the Bank has maintained a flow of funding for project lending, particularly in the agriculture sector. It also is emerging as an important advocate for environmental protection and population planning as well as women's concerns in the development process.

Poverty based lending.—In its poverty programs, the Bank provides support for primary education, population and health services, integrated rural and urban development, and nutrition. In lending operations in agriculture, water supply, and small scale industry, the Bank has sought to channel benefits toward the poorest elements of the population. In rural development projects, more weight is being assigned to the role of prices and market forces as well as to the introduction of newer technologies.

The Committee would stress the importance it attaches to the expansion and improvement of World Bank efforts to assist Third World poor people. The Committee notes that the new President of the World Bank, Barber Conable, has indicated that the Bank would be undertaking specific steps to improve its assistance to Third World poor people. These steps include increased attention to the needs of poor women, increased collaboration with nongovernmental organizations, especially those representing Third World poor people, and increased lending in areas that directly benefit the poor, such as primary education and basic health care.

The Committee welcomes evidence of such specific steps in World Bank lending programs. Social and economic studies indicate that substantial improvements can be made in both the quantity and quality of development assistance directed toward poor women. Consultation with poor people through their own organizations, such as cooperatives, credit unions and women's groups, in the identification, design, execution, and evaluation of projects could substantially improve project benefits to poor people and make projects more sustainable. Finally, the Committee would welcome evidence of success in the Bank's efforts to increase lending in areas of direct benefit to the poor. The Committee learned in testimony offered by public witnesses this year that, by the Bank's own measurement, only 29 percent of total IBRD/IDA lending in fiscal year 1986 directly benefited the poor. In previous years this percentage had been even lower.

Structural adjustment lending.—Many of the Bank's economic adjustment programs have been oriented toward the middle-income, highly indebted countries. Over the past 3 years, more than $15,000,000,000 has been committed to the highly indebted countries, with disbursements accelerating as a result of quick disbursing loans. In its adjustment programs, the Bank is seeking to limit the adverse impact of adjustments on poorer elements of the populations.

The Committee recognizes the need for many countries to restructure their economies as a precondition for resuming economic growth and improving human well-being. We welcome World Bank initiatives to provide structural and sectoral adjustment assistance for those purposes and are pleased that under the new World Bank leadership greater attention has been focused on the human costs of adjustment.

The Committee, however, also believes that the World Bank could take additional measures both to cushion negative effects of adjustment on human welfare, particularly on the poor, and to maximize benefits to the poor. Setting up units for monitoring nutritional levels of children and marginal groups in countries undergoing adjustment is one suggestion, for example, which merits attention.

In addition, structural adjustment cannot be seen in isolation but must be viewed as part of the total country lending program—structural adjustment programs must of course focus on objective economic factors, but they are doomed to failure if they ignore the fundamental impact such programs can have on political stability. Project aid in support of alleviating poverty can be an important accompaniment to structural adjustment measures, making them both economically viable and politically acceptable.

JUSTIFICATION FOR FUNDING

The operations of the World Bank serve a broad range of U.S. national interests. Its lending to developing nations support specific foreign policy objectives that we have in key countries—countries that are important to the United States for political, economic, or national security reasons. The operations of the Bank contribute to the strength and flexibility of the global economy as a whole.

The World Bank is a particularly cost effective channel for U.S. economic assistance. Other nations contribute approximately 80 percent of its capital and the bulk of its loans are financed from borrowings in private capital markets, based on the callable capital subscriptions of its members. This leveraging of paid-in capital permits the United States and other member countries to hold down the budgetary costs of their participation in development programs.

COMMITTEE RECOMMENDATION

The Committee is constrained by the necessity of remaining within its allocation of budget authority and outlays. Therefore, in view of other spending priorities which must be met, we are unable to recommend the amount of funding which we believe is necessary to adequately maintain U.S. leadership in the World Bank. The release of United States shares in the IBRD to the Government of Japan and to the Government of Canada has reduced the minimal amount necessary to meet United States commitments to the Bank. The Committee recommends the appropriation of $40,176,393, an amount which is $3,382,343 above that reported by the House Appropriations Committee and $164,732,646 below the amount requested by the administration.

Tables reflecting historical U.S. contributions to the World Bank, as well as the current replenishment of these resources, follow:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ACTUAL U.S. SUBSCRIPTIONS

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	U.S. percent of total
Paid-in	$7,028.6	$1,490.3	21.20
Callable	74,702.1	15,266.8	20.44
Total	81,730.7	16,757.1	20.50

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$2,999.3	$658.3	21.9	$543.9	82.6
Callable	41,032.5	8,149.3	19.9	[1] 6,796.3	83.4
Total	44,031.8	8,807.6	20.0	7,340.2	83.3

[1] Subscribed subject to a program limitation; in the event a call were necessary, appropriations would still be required.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Appropriation, 1987	$830,100,000
Budget request, 1988	958,333,334
House allowance	36,794,050
Committee recommendation	845,000,000

HISTORY AND BASIS OF U.S. PARTICIPATION

The International Development Association is the concessional lending affiliate of the World Bank. It was established in 1960 to provide concessional lending to low-income developing countries. Its origins lay in the recognition that, for many of the poorest countries, private capital and existing aid arrangements were not adequate. It was also recognized that the World Bank, which had led the multilateral aid effort after World War II, could not lend to the poorest countries without damaging its own credit position in international capital markets. Furthermore, the low-income countries could ill afford to take on loans carrying high interest rates and short maturities to finance projects with long payback periods and earning little or no foreign exchange.

It was our Government which officially proposed the establishment of IDA in 1959. The proposal was endorsed by the Bank's Governors at the annual meeting that October. The new institution was envisaged as a separate legal entity within the Bank, which would, as an affiliate of the Bank, operate under the Bank's management and share the same staff and procedures. Since IDA initially was capitalized at $1,000,000,000, and its resources have been replenished seven times.

PROGRAMS AND POLICY DIRECTIONS

IDA makes long term, interest free loans to countries which are characterized by widespread poverty, an underdeveloped resource base, and limited creditworthiness. It has become the most significant channel of concessional development assistance to countries which meet these criteria.

Initially, IDA financed mostly large physical infrastructure projects, which were thought to be fundamental to further development. As more was learned about the development process, IDA recognized that transfers of resources and economic growth would not automatically improve the living standards of the poor.

Thus, the second decade of IDA operations emphasized agriculture, rural and urban development, and improvement in human resources. By the end of the 1970's, the share in annual commitments of those projects had risen to 53 percent, compared with 32 percent in the

1960's. Also, IDA increased the proportion of its lending for the poorest countries and for poor people within recipient countries. Greater efforts were made to bring poverty issues into macroeconomic discussions and sectoral work.

Negotiations for the eighth replenishment of IDA resources (IDA VIII) were conducted during 1986, the outcome of which was a replenishment of $12,400,000,000 for the 3-year period beginning in July 1987.

Very few of IDA's resources have gone to countries with per capita annual incomes above the $500 level with the overwhelming proportion, in fact, going to countries with per capita annual incomes below $400. Under IDA VIII, the practice of concentrating on the least advantaged countries will continue. As a result, it was agreed that 50 percent of the IDA VIII replenishment should go to sub-Saharan Africa, if warranted by progress on structural adjustment programs. While relative poverty and population size have continued to be important criteria for allocation of resources, additional emphasis is being placed on economic performance. Between $3,000,000,000 and $3,500,000,000 of IDA VIII resources are to be used in support of structural adjustment programs.

Past IDA credits were provided for a 50-year maturity period with 10 years grace. As part of the IDA VIII agreement, maturities will be reduced to 40 years for the least developed IDA recipients and 35 years for other recipients. While no interest is charged, an administrative service fee of 0.75 percent is applied on disbursed and outstanding balances along with a 0.5-percent commitment fee on the undisbursed portion of IDA credits.

JUSTIFICATION FOR FUNDING

The long-term trend for the poorest countries continues to be troublesome and conditions in sub-Saharan Africa are particularly disturbing. While problems in other regions are not as acute, other IDA eligible countries also face serious development challenges. Many of these countries have been taking adjustment measures while at the same time attempting to cope with extremely difficult external accounts situations. All of these countries have very low per capita income levels and in many cases, extreme poverty among the people, especially in the rural areas. These countries are not creditworthy and therefore must rely on the concessional funds which are provided through IDA and other channels.

The U.S. contribution to IDA is an important aspect of international efforts to address the intractable problems of the low-income countries. The specific measures agreed upon at the IDA VIII negotiations respond to U.S. concerns in these countries. By assigning the highest priority in resource allocation to countries in sub-Saharan Africa, supporting the policy reform process by committing roughly 25 percent of IDA VIII resources for policy-based lending, promoting market-oriented policies, the development of private sector, and privatization, and continuing to address the directly poverty-oriented sectors, IDA is carrying out the developmental objectives of the U.S. Government in a cost-effective way.

More generally, U.S. participation in IDA contributes to our national interests by working to align the poorest countries, with their vast resources and populations and strategic positions, with the Western market oriented economic and security framework.

COMMITTEE RECOMMENDATION

The administration is requesting $958,300,000 as the first installment of a $2,875,000 U.S. contribution to the $12,400,000,000 IDA VIII replenishment. The negotiated U.S. share of IDA VIII is 23 percent.

The Committee congratulates the administration on its effective negotiation of the IDA VIII replenishment agreement. In particular, the Committee is pleased with the admixture of poverty-based lending (50 percent for sub-Saharan Africa) with the recognition that structural reforms must be financed (25 percent of IDA VIII is set aside for this purpose).

Unfortunately, the need for budget restraint and the fact that the budget authority and outlays assigned to the Foreign Operations Subcommittee are quite limited means that we cannot be as responsive as we would wish. The amount we recommend for appropriation, $845,000,000 is $14,900,000 higher that the amount reported by the House Committee on Appropriations and $113,300,000 below the amount requested by the administration.

Tables reflecting historical U.S. contributions to the International Development Association, as well as the current replenishment of IDA, follow:

INTERNATIONAL DEVELOPMENT ASSOCIATION

ACTUAL CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	U.S. percent of total
Contribution	$40,196.8	$11,894.7	29.6

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
7th replenishment	$8,750	$2,250.0	25.0	$1419.9	63.1

INTERNATIONAL FINANCE CORPORATION

Appropriation, 1987	$7,205,610
Budget request, 1988	35,032,000
House allowance	962,000
Committee recommendation	35,032,000

The administration's request for the International Finance Corporation [IFC] in fiscal year 1988 is $35,032,000 for the second of five installments to the second capital increase.

HISTORY AND BASIS OF U.S. PARTICIPATION

In the late 1940's, it was recognized that providing essential infrastructure alone was not sufficient incentive to private sector investment and growth in developing countries. The IFC was conceived as a mechanism to further economic development in developing countries by encouraging the growth of productive private investment and savings.

The IFC, an affiliate of the World Bank, started in 1956 with 31 member countries and an authorized capital of $100 million. Membership in the World Bank is a prerequisite for membership in IFC, although legally and financially, IFC and IBRD are separate entities. The IFC has its own operating and legal staff, but draws upon the Bank for administrative and other services.

U.S. participation in the IFC arises from the conviction that a strong private sector is key to successful structural reform in developing countries. Indigenous private enterprise produces jobs, foreign exchange, and a managerial and technical skill base. The record is clear—nations that encourage private sector development, both indigenous and from abroad, achieve more rapid and sound economic growth than those that do not.

PROGRAMS AND POLICY DIRECTIONS

The first 20 years of IFC's existence were characterized by conservative financial practices, as it acquired investment experience. During its first 5 years, IFC lent only $51,000,000, mostly to manufacturing and processing enterprises. In 1961, IFC began to make equity investments, and in 1965, IFC's Articles of Agreement were amended to permit borrowing from the IBRD (subject to general limit of four times its own unimpaired subscribed capital and surplus), which has allowed increased IFC lending in addition to equity investment.

In 1977, the United States proposed and gained approval for a capital increase of $480,000,000 for IFC which resulted in a considerable expansion of IFC's activities. The program included a greater focus on investment in poorer developing countries, especially in Africa and Asia. The Corporation also took a more active lead in helping to increase production of basic food commodities, and to improve processing and storage facilities.

In 1985, IFC launched the current Five Year Program covering fiscal years 1985–89, funded by a capital increase of $650,000,000, to further expand assistance to the private sector in member countries. The program expects 435 project approvals in fiscal years 1985–89, a 53-percent increase over the 282 approvals during the fiscal years 1979–83 program. Total IFC investment in current dollars is projected at about $4,400,000,000, more than double the $1,900,000,000 in fiscal years 1979–83. This level of investment of the IFC is projected to result, through syndications and other cooperative arrangements with the private sector, in a gross investments total $7,400,000,000 during 1985–89.

The current Five Year Program emphasizes several initiatives. Capital market development will help build the institutions in developing countries needed to mobilize domestic savings. Implementation of a corporate restructuring program will reorganize and streamline weak companies to help them adapt to changing economic conditions due to adjustment programs or changing market conditions. A larger share of IFC's resources will go to sub-Saharan Africa, with emphasis on small and medium-scale business.

JUSTIFICATION FOR FUNDING

The IFC is an important multilateral mechanism for encouraging private enterprise. The IFC has undertaken an investment program that is consistent with the direction and emphasis that the United States has encouraged. Equitable economic growth in developing countries, if it is to be sustained, must have a strong private sector that can respond to market forces and take advantage of investment opportunities. IFC's activities, which act as a catalyst in attracting financing to developing countries and stimulate private capital flows, support and foster private enterprise in developing countries.

The IFC's emphasis on sub-Saharan Africa is especially important because Africa poses special problems for a strong private sector. The public sector dominates, technical and managerial skill is weak, domestic markets are limited and infrastructure needed for the growth of private companies is lacking. In this context, the IFC is an important influence in that it is able to invest its own staff time and resources in projects and initiatives which are expensive to the Corporation but have promise of success.

COMMITTEE RECOMMENDATION

The Committee favors full funding of the administration's request for the International Finance Corporation. The experience of the IFC in supporting private sector development is of great value to the policy focus of IDA VIII. Funding of the IFC should no longer be regarded as detracting from poverty based lending. Indeed, if IDA VIII is to achieve its objectives of breaking the cycle of poverty which has held much of sub-Saharan Africa in its grasp, IFC will have to play a larger role.

The Committee recommends the appropriation of $35,032,000, an amount equal to the budget request. The House Committee on Appropriations recommended the appropriation of $962,000.

MULTILATERAL INVESTMENT GUARANTEE AGENCY

Appropriation, 1987	....
Budget request, 1988	$44,403,116
House allowance	....
Committee recommendation	44,403,116

The administration has requested the appropriation of $44,403,116 for the Multilateral Investment Guarantee Agency [MIGA]. MIGA is a new initiative designed to encourage the flow of investment to and among developing countries by issuing guarantees against noncommercial risk, carrying out a wide range of promotional activities and encouraging sound investment policies in member countries. In addition, the administration has requested $177,612,464 in callable capital for fiscal year 1988.

HISTORY AND BASIS OF U.S. PARTICIPATION

The concept of an international investment guarantee facility is not a new one. Various proposals have been discussed since the early 1960's in a number of international bodies including the World Bank, OECD, Inter-American Development Bank, UNCTAD and the European Community. Most earlier proposals failed because of irreconcilable differences between developed and developing countries on two fundamental issues: the refusal of developing countries to (1) submit to automatic international arbitration in the event of investment disputes, and (2) recognize the right of an international agency to represent the interests of an investor in disputes with the host country (subrogation).

In his 1981 address to the Governors of the World Bank, Bank President Clausen once again called for the establishment of a globally operating scheme. Thereafter, negotiations to establish the Multilateral Investment Guarantee Agency [MIGA] proceeded until September 1985. This time the stumbling blocks of arbitration and subrogation were resolved with developing countries finally agreeing to accept these two essential principles.

To date, 58 countries including the United States and the other six major industrialized countries have signed the convention. Signing the convention signals a government's intention to join, subject to the necessary legislative approval. To become effective, the MIGA requires full ratification by 5 developed and 15 developing countries. Japan, Denmark, Germany, The Netherlands, Canada, and 15 developing countries have ratified the basic documents and MIGA will soon come into effect.

The MIGA is designed to promote reform of LDC investment policies and to encourage the flow of investment to developing countries by selling noncommercial risk insurance to United States and other investors. Thus, the MIGA will benefit U.S. firms by insuring their investments against political risks, including expropriation, war and civil disturbance, breach of contract, or inconvertibility of currency. The MIGA is designed to be financially self-sustaining. It will run according to business principles and charge market-related fees for its insurance coverage.

The administration is seeking authorization for a U.S. subscription of $222,000,000, or 20.5 percent of total subscriptions. Of this amount, however, appropriations are required for only $44,400,000, the remainder being requested as callable capital. The administration has requested the full amount of the intended U.S. share subscription in fiscal year 1988 in order to comply with the requirement of the convention that a country's allocated shares be subscribed in full at the time a country joins. This is considered necessary to provide MIGA with the minimum level of working capital and reserves needed to begin operations.

With respect to its insurance operations, the amount of the MIGA's coverage outstanding will be based on its level of capital subscription and reserves. Initially, coverage will be limited to $1,500,000,000. As reserves build, outstanding coverage could go as high as $5,000,000,000 by decision of the board of directors.

MIGA's mandate to improve the policy environment in developing member countries is its most significant role. It will do this by: (1) requiring fair and equitable treatment of covered investments; (2) requiring improvements in LDC investment climates to qualify LDC's for MIGA coverage; and (3) providing advice and technical assistance to host governments. The MIGA will refuse to issue insurance in countries which do not have acceptable investment policies and practices. The MIGA's clear and effective dispute settlement arrangements will advance the rule of international law. In general, the convention calls for automatic arbitration with any exceptions assuring most-favored-nation [MFN] treatment for the MIGA. The result is that the MIGA can go to international arbitration without having to exhaust local remedies.

The convention provides for close operational and policy links with the World Bank. The World Bank president will serve ex-officio as chairman of the MIGA board. The MIGA board can have the same membership as the World Bank board and, assuming it purchases its shares, the United States is assured of having a seat. Decisionmaking in the board will be on the basis of a weighted voting system with votes determined by financial contributions, similar to the system used in the World Bank.

JUSTIFICATION FOR FUNDING

Foreign direct investment has an essential role to play in financing economic development. Given the problems that many developing countries are experiencing because of their past over-reliance on borrowing, investment flows have taken on added importance. However, investment in developing countries has actually been declining. Restoring foreign investment as a source of nondebt creating foreign capital is a matter of considerable urgency. The MIGA can achieve this by improving developing country policies affecting investment and by providing insurance against noncommercial risk.

MIGA can be of mutual benefit to the economies of both the United States and those of the developing world. MIGA can help to build a freer trade environment by encouraging developing countries to liberalize their trade regimes as they affect investment and by attacking trade-distorting performance requirements and subsidies. By providing a better investment climate and offering coverage for noncommercial risk, the MIGA can assist U.S. business to take advantage of profitable opportunities in developing countries. Given the fact that about 30 percent of U.S. manufactured exports traditionally go to foreign affiliates of U.S. firms, U.S. exports and jobs clearly can be affected positively.

MIGA has a distinct role which will fit well with other U.S. multilateral and bilateral programs. Alongside the IMF, GATT, World Bank Group and regional banks, the MIGA will complete the set of tools needed to assist policy reform in its developing member countries. Like OPIC, the MIGA will insure investors in developing countries, but on a much smaller scale. Instead, the MIGA will place its emphasis on investment policy reform given its strong international mandate to promote reform of investment policies.

COMMITTEE RECOMMENDATION

The Committee believes that the United States should act now to secure its participation in the Multilateral Investment Guarantee Agency. If we fail to provide the full amount requested, there is a strong probability that other countries, will bring MIGA into operation without the United States. If this happens, the United States will lose the chance to influence MIGA policies on issues affecting our export markets, American firms will be denied advantages available to their foreign competitors, and an important opportunity for reform of LDC investment policies will be lost to the United States. We are convinced by the arguments which have been advanced in support of U.S. participation. We believe that significant advantages will accrue to both the United States and to needy developing countries as MIGA takes effect and investment opportunities and rewards are shared. Therefore, the Committee recommends the appropriation of $44,403,116.

INTER-AMERICAN DEVELOPMENT BANK

Appropriation, 1987	$33,680,000
Budget request, 1988	257,998,332
House allowance	138,710,983
Committee recommendation	52,042,867

The administration's request for the Inter-American Development Bank in fiscal year 1988 totals $257,998,332. Included in this request is $121,098,332 for paid-in capital, $110,097,000 for the Fund for Special Operations, and $26,803,000 for the Inter-American Investment Corporation. The callable capital request for fiscal year 1988 is $2,376,737,187.

HISTORY AND BASIS OF U.S. PARTICIPATION

The idea of a special multilateral development institution for Latin America had been considered by Western Hemisphere countries since before World War II. Even after the World Bank turned from European reconstruction to assisting developing nations, the Latin American countries continued to want an institution which would be responsive to their unique regional needs.

The Inter-American Development Bank [IDB] came into legal existence on December 30, 1959, began operations in the fall of 1960, and made its first loan in February 1961. Originally, membership was limited to members of the Organization of American States, but in 1972 Canada became a member and, in 1976, membership was broadened to include nonhemispheric countries (15 European countries plus Japan and Israel). Forty-four countries are now members of the IDB but only the 25 less developed, regional member countries are eligible to borrow from the Bank.

America's longstanding political, economic, and strategic interests in Latin America motivated our support for creation of the Inter-American Development Bank. During the 1960's, the Alliance for Progress signaled a renewed United States interest in relations with Latin America and our bilateral programs were supplemented through substantially increased financial commitments to the IDB. The U.S. originally provided 41 percent of the subscriptions to the IDB but, at present, cumulative U.S. contributions account for 35 percent of the total.

PROGRAMS AND POLICY DIRECTIONS

The IDB carries out the majority of its financing operations through two lending windows: the concessional Fund for Special Operations [FSO] and the capital window, comprised of both ordinary capital [OC] and since 1976, the inter-regional capital [IRC]. The IDB also serves as an administrator for a number of special funds, including the U.S.

Social Progress Trust Fund [SPTF]. As of the end of 1986 the IDB had lent $27,800,000,000 from the capital resources, $9,400,000,000 from the FSO and over $1,300,000,000 from the special funds it administers.

The capital window provides development funds at market-related terms—currently 7.5 percent at 15 to 25 year maturities. The source of funds for the capital window is member government subscriptions of paid-in capital and most importantly, funds obtained in private financial markets, backed by members' callable capital.

The IDB's capital lending has been focused on projects in the productive and infrastructure sectors (that is, industry, energy, telecommunications, tourism, and commercial agriculture) primarily in the relatively more advanced countries of the region: Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela. The sectoral concentration of Bank lending has changed very little over the years with economic infrastructure (energy, transportation, and communications) accounting for the majority of IDB lending followed by agriculture and industry and mining. The IDB does not currently do policy based lending per se, but does use project-level conditions.

Over time, the capital window of the Bank has become the dominant source of IDB loans. In the beginning, IDB lending was about one-half from capital resources and one-half from the Fund for Special Operations. Recently 90 percent of IDB lending has come from the capital window.

Over the last 4 years, the period of the IDB's sixth replenishment, the Bank lent $11,600,000,000 from the capital window. Over 73 percent of this lending went to seven countries: Chile, Brazil, Colombia, Mexico, Argentina, Ecuador, and Venezuela.

JUSTIFICATION FOR FUNDING

Economic, political, and strategic developments in Latin America continue to be vital to United States national interests. The IDB is a primary instrument for furthering U.S. foreign and economic policy goals in the region.

The IDB supports U.S. goals in the region by allocating a large share of its capital resources to those upper- and middle-income countries which are economically and politically important to the United States. The extent of continued IDB effectiveness in promoting U.S. interests in the region—and, consequently, the extent to which the Committee will support additional funding for the IDB—will depend heavily on its ability to make needed improvements in project quality and to focus on macroeconomic reform. These issues are currently under discussion as part of the Bank's resource replenishment exercise.

The IDB's role in the international debt strategy has been the basic issue of the Bank's resource replenishment negotiations. The administration has proposed that the IDB play a major role in helping Latin American countries with their debt problems. In order to do so, there must be substantial changes and improvements in the Bank's operations, procedures, and organization. Discussion of these issues began in early 1986 and have continued without resolution as of the end of September 1987.

The Committee has been and continues to support the position advanced by the U.S. Treasury in its negotiations with other IDB members on the question of the seventh replenishment of the Bank's resources.

PROCUREMENT PRACTICES

The Committee is concerned about certain procurement practices of the IDB's borrowers. The Bank is required to approve contract awards before they are announced. This approval is contingent upon the borrower's adherence to the procurement regulations which are set out in the loan contract. The Committee is aware of at least one instance in which a qualified low bidder was denied an award for an IDB-assisted project. In the interest of improving the procurement practices of the Bank, the Committee requests that the Secretary of the Treasury provide it with a report, through the U.S. Governor to the IDB, indicating what steps the Bank has taken to provide adequate review of the awards made by its borrowers. The Committee requests this report be submitted by April 15, 1988.

COMMITTEE RECOMMENDATION

The United States is currently some $63,000,000 in arrears in payment of its pledged contribution to the ordinary capital resources of the IDB. The Committee believes that the United States should act as promptly as possible to clear these arrearages. We believe that such action is necessary and desirable as a signal of our intentions and to demonstrate that we remain committed to the future of the IDB.

However, once again, the necessity for strict budgetary restraint intrudes and limits our ability to fulfill desired objectives. We believe that we must spare our scarce resources and allocate funds in a way which will best preserve programmatic continuity in all of multilateral development institutions. Therefore, we have determined to provide as much funding as could be spared to those MDB's which have shortages in funds for loan commitments and which have embarked on management initiatives making needed improvements in project quality and focusing on macroeconomic reform. In practice, this means that our allocation of funding under title I of the bill has been directed to the World Bank and IDA and to the African Development Bank and Fund.

The Committee is aware that its proposals to reduce funding for the IDB may lead to criticism that it has singled out the IDB for reductions. The Committee would note that such criticism would be unfounded; it also has imposed sharp reductions in the administration's request for funding of the Asian Development Bank and fund.

As noted above, IDB lending has diminished in recent years due, in part, to the reluctance of borrowers to assume additional debt, either because of a shortage of counterpart currency or because of restrictions on borrowing which accompany adjustment financing provided by the International Monetary Fund.

FUND FOR SPECIAL OPERATIONS

HISTORY AND BASIS OF U.S. PARTICIPATION

The Fund for Special Operations, the IDB's concessional window, was an integral part of the IDB from the beginning. FSO financing has been for projects where lending on conventional terms is not appropriate to conditions of the country and/or the nature of the project for which financing was being provided. Interest rates range from 2 to 4 percent and maturities range from 30 to 40 years. FSO loans are extended entirely from resources provided by members of the Bank and from its own earnings and reflows.

PROGRAMS AND POLICY DIRECTIONS

FSO lending has been primarily focused on social infrastructure projects (that is, water and sewerage, health, education, and urban development). While all borrowing member countries of the IDB were initially eligible for FSO loans, the convertible currency resources of the fund have gradually been reserved for the smaller and poorer countries of Latin America and the Caribbean. Eighty percent of FSO loans now go to eight countries: Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, and Paraguay.

The Committee is distressed to learn from a reading of the IDB annual report that the Bank did not meet its own objective of providing 50 percent of its lending for projects benefiting low income groups. According to the Bank's own measurement, during the 1983–86 period only about 38 percent of the benefits of loans went to low-income groups.

The Committee notes the existence of the Financing for Small Projects Program in the IDB. This program has the mandate to finance income generating projects for poor people, yet it has continued for many years at a low level of funding and without integration into the mainstream of IDB lending activities. As a result, funding for this program in 1986 was only $4,500,000, down from $6,700,000 in 1985. This figure stands in stark contrast to the $3,037,000,000 in 1986 loan approvals by the IDB. The Committee finds it difficult to understand or accept that there is a strong commitment or plan of action in the IDB for a lending program which would increase employment and incomes of poor people.

JUSTIFICATION FOR FUNDING

The United States support for the Fund for Special Operations is based on United States strategic interests and the need to address the long-term development problems facing the poorest countries, primarily in Central America and the Caribbean. Its lending is concentrated on countries in which the U.S. has substantial political and security interests and where we desire to promote development both for humanitarian reasons and to alleviate political discontent. U.S. support to the FSO is cost effective. The United States contributed only $1 for each $3.50 lent to Central America and the Caribbean.

COMMITTEE RECOMMENDATION

The United States is currently some $99,000,000 in arrears in payment of its pledged contribution to the Fund for Special Operations. The Committee believes that the United States should act as promptly as possible to clear these arrearages. However, once again the necessity for strict budgetary restraint intrudes and limits our ability to fulfill desired objectives. We believe that we must spare our scarce resources to preserve programmatic continuity in all multilateral development institutions. Therefore, we have determined to provide as much funding as could be spared to those MDB's which have shortages in funds for loan commitments. In practice, this means that our allocation of funding under title I of the bill has been directed to the World Bank and IDA and to the African Development Bank and fund. We have not singled out the IDB for reductions; sharp reductions in the administrations request have also been applied to the Asian Development Bank and fund.

INTER-AMERICAN INVESTMENT CORPORATION [IIC]

HISTORY AND BASIS OF U.S. PARTICIPATION

Given the economic and financial problems facing the Latin American region, the private sector and individual businesses have an increasingly critical role to play in building a strong base for future growth in the region. Unfortunately, capital and managerial skill remain difficult to attract in today's climate.

In recent years support grew for a direct role by the Inter-American Bank in helping to identify and develop business opportunities in its member countries. The Inter-American Investment Corporation [IIC] came into existence on March 23, 1986, when a sufficient number of countries (including the United States) had ratified the corporation's articles of agreement.

The corporation promotes the establishment, expansion, and mobilization of small- and medium-scale private enterprises. Enterprises with partial share participation by government or other public entities, whose activities strengthen the private sector of the economy, are eligible for financing by the corporation.

PROGRAMS AND POLICY DIRECTIONS

The IIC is authorized to make direct investments through the loans and through the purchase of equity shares in individual businesses. It can also make indirect investments through other financial institutions; promote participation by other sources of funds through cofinancing, loan syndications, joint ventures, and the underwriting of securities and participations; and is empowered to support an innovative range of other business transactions for individual companies such as licensing arrangements, marketing or management contracts.

The IIC will provide direct services to companies including technical support, financial and general management assistance, and can also act as a financial agent of Latin American enterprises. It will be able to assist in issuing bonds, certificates of indebtedness, and participation certificates. It may also help establish or expand development finance companies and similar institutions in the private sector in Latin America.

JUSTIFICATION FOR FUNDING

Over the long term, Latin America and the Caribbean will have to rely increasingly on the private sector for sustainable economic growth. The IIC was created precisely to promote private sector development and to generate employment. Because smaller firms generate more employment per unit of capital invested than larger enterprises, the IIC focus on strengthening the capitalization of small- to medium-sized firms will contribute significantly to achieving output and employment creating development objectives in the region. Achieving such objectives would yield the added benefit of improving the ability of the region to strengthen its productive base and cope with its pervasive economic and financial problems.

The United States was a principle supporter of the corporation's creation. The first U.S. installment payment on its contribution was made when due, but sufficient amounts have not yet been appropriated for the full second installment.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of $1,303,000 for fiscal year 1988. This amount, while considerably below the amount requested by the administration, is sufficient to complete the full second installment of the U.S. contribution to the IIC. The Committee would prefer to be in a position to recommend appropriations sufficient to complete the second installment as well as to make a full contribution of the third installment. The realities of the current budget context, however, dictate that we recommend only the minimal amount necessary to maintain programmatic continuity in the IIC.

CAPITAL MERGER PROVISION

The Committee recommends the adoption of a provisio to the fiscal year 1988 appropriation for the IDB which would authorize the U.S. Governor to the Bank to agree to a technical amendment to the articles of agreement to permit the merger of two separate bank capital accounts into one consolidated account. This provision has no effect on the U.S. but will convey substantial benefits to the IDB. It will, enhance the financial position of the Bank and its creditworthiness in the markets, as well as simplify the financial management of the Bank.

Tables reflecting historical U.S. contributions to the Inter-American Development Bank, as well as the current replenishment, follow:

INTER-AMERICAN DEVELOPMENT BANK

ACTUAL SUBSCRIPTIONS/CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	U.S. percent of total
Paid-in	$2,599.3	$856.9	33.0
Callable	31,473.5	10,924.7	34.7
FSO	8,219.2	4,544.0	55.3
Total	42,292.0	16,325.6	38.6

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$668.3	$232.0	34.7	$152.4	65.7
Callable	14,180.8	4,923.9	34.7	[1] 3,692.9	75.0
FSO	702.6	290.0	41.3	183.3	63.2
Total	15,551.7	5,445.9	35.0	4,028.6	74.0

[1] Subscribed subject to a program limitation; in the event a call were necessary, appropriations would still be required.

ASIAN DEVELOPMENT BANK AND FUND

Appropriation, 1987	$104,638,676
Budget request, 1988	234,021,220
House allowance	24,571,000
Committee recommendation	43,057,220

The administration has requested the appropriation of $234,021,220 for fiscal year 1988, $15,057,220 for paid-in capital and $218,964,000 for the Asian Development Fund; in addition, the administration is requesting $276,503,941 as a limitation on callable capital. The Committee recommends the appropriation of $15,057,220 for the paid-in capital and $28,000,000 for the Asian Development Fund.

ASIAN DEVELOPMENT BANK

HISTORY AND BASIS OF U.S. PARTICIPATION

In the early sixties the Asian countries felt that a multilateral development bank was needed to serve their specific needs. The Asian countries decided at the outset that Western support, particularly from the United States, was critical for the bank's success. In 1965, the United States administration offered its support for creation of the ADB as part of a larger program of increased economic aid for Asia.

Twenty-two countries concluded negotiations on the articles of agreement for the Bank in December 1965. The United States obtained authorizing legislation the following March and ratified the articles on August 16, 1966. The Asian Development Bank came into existence on August 22, 1966, and made its first loan in 1968.

PROGRAMS AND POLICY DIRECTIONS

Since 1968, the Asian Development Bank has played an important role in developing the industry, nonfuel minerals, transportation, communications, and agriculture sectors of its developing member countries. Social infrastructure lending has also become an important focus of ADB lending in the 1980's. This includes water supply systems, housing projects, educational, and health projects.

The major borrowers from the Bank since 1968, have been Indonesia, the Philippines, Korea, Thailand, Pakistan, and Malaysia. Korea's borrowing has decreased in recent years because of its rate of economic progress, and is expected to cease in the near future. Thailand has also reduced its borrowing. India began borrowing from the ADB in 1986, and China will probably receive its first loan in 1987, although neither country is expected to become a significant borrower.

The ADB has been heavily involved in helping to address the economic and financial problems of the Philippines. The ADB was the first major donor to make funds available to the new Aquino government, and continues to work closely with key economic policy officials. Policy reform, such as in the restructuring of public sector entities and the financial sector, has been a key element of ADB discussions with the Government of the Philippines. It lent a total of $317,000,000 to the Philippines in 1986 and should lend approximately as much in 1987.

The majority of ADB loans in its member countries have been for traditional project lending. During the period 1981–85, 72 percent of commitments were for project loans. However, the Bank has become increasingly involved in sector and program lending. The Bank is moving to play a greater role in policy reform and private sector development in countries in the region.

To help strengthen its future development impact, the Bank has established a group of outside experts to study the Bank and make recommendations for its future activities and organization.

JUSTIFICATION FOR FUNDING

The Asian Development Bank is important in Asia in promoting the type of market-oriented development policies that the United States has urged developing countries to adopt. Many of the major borrowers already have a strong appreciation of the role of the private sector in the development process. Countries such as Korea, Malaysia, and Thailand, with their emphasis on market-oriented policies and relatively open markets, serve as a model not only for their poorer neighbors, but for the developing world as a whole.

The United States has a fundamental interest in the economy and security of the Asia and Pacific region. Major ADB borrowers include several countries (Philippines, Thailand, Pakistan, Korea) which are allied with the United States. These borrowers also receive significant amounts of bilateral aid from the United States.

Countries such as the Philippines and Indonesia are facing one of the most difficult periods of their recent economic history and need outside financing if they are to establish conditions for stable growth. In addition to financial support, the Asian Development Bank provides these countries economic policy advice. The United States has urged the Bank to expand its policy dialog with these countries and to use its lending to support economic reform programs. In the Philippines, this is of particular significance to the prospects for success and stability of democracy and, consequently, United States interests.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of $15,057,000, the full amount requested by the administration. Together with a callable capital contribution of $276,503,941, for which appropriations are not required, the paid-in amount will meet the ADB's requirements.

ASIAN DEVELOPMENT FUND

HISTORY AND BASIS OF U.S. PARTICIPATION

Prior to the establishment of the ADF, concessional lending operations administered by the ADB were funded through contributions provided by individual bilateral donors. The terms of such contributions were not uniform, and the administration and use in loan operations proved increasingly difficult. With the progressive expansion of these concessional lending operations, it became necessary to mobilize special funds resources on an organized and regular basis. Therefore, in 1974, agreement was reached among donor countries for the establishment and funding of the ADF as a single and unified fund. There are no separate voting arrangements concerning ADF decisions; the Bank's Board of Directors makes those decisions.

PROGRAMS AND POLICY DIRECTIONS

ADF lending has been in roughly the same sectors as Bank lending, with an emphasis on project-lending. However, as with the ADB, emphasis on policy reform in the context of ADF lending will also increase.

Major borrowers from the ADF have been Bangladesh, Pakistan Sri Lanka, and Nepal and these countries will continue to take the bulk of ADF resources in the near future. Although both the Philippines and Indonesia have graduated from the ADF, they will receive small amounts of ADF lending in the next 2 to 3 years on a special basis because of the extraordinary economic difficulties they are experiencing at the present time.

JUSTIFICATION FOR FUNDING

The poorer Bank members, those that receive ADF money, have suffered a deterioration in their terms of trade in recent years as a result of depressed commodity prices. They have relatively low per capita GNP's, rapidly growing populations, and limited productive capacity, all of which combine to constrain their ability to mobilize domestic savings. They must rely heavily on foreign capital inflows to finance domestic investment, and this reliance will continue in the foreseeable future as they face mounting debt obligations.

For many South Pacific developing member countries, the ADF is the major multilateral lender. The development of these countries has been constrained by small size, dependence upon commodity exports, slow development of human resources, and susceptibility to cyclones and other natural disasters. These countries have been hit hard by the decline in commodity prices.

The United States has particularly important economic and security relations with the four major ADF borrowers: Bangladesh, Pakistan, Nepal, and Sri Lanka. Economic growth and stability for these countries are key U.S. goals in the region. Therefore, United States contributions to the Asian Development Fund add to the development of a region which plays an important and sensitive role in our international, economic, and security affairs.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of $28,000,000 for the United States contribution to the Asian Development Fund. This amount is $190,964,000 below the amount requested by the administration. The recommendation would seem to be inconsistent with the support for the ADF expressed by the Committee in the above narrative. However, a close analysis of ADF lending patterns and the effect of exchange rate changes on the U.S. dollar contribution has convinced the Committee that the amount recommended will be sufficient to maintain programmatic continuity in ADF lending.

As the Committee noted in its discussion of U.S. contributions to the Inter-American Development Bank, we believe that we must spare our scarce resources and allocate funds in a way which will best preserve program continuity in all of multilateral development institutions. Therefore, we have determined to provide as much funding as could be spared to those MDB's which have shortages in funds for loan commitments and which have embarked on management initiatives making needed improvements in project quality and focusing on macroeconomic reform. In practice, this means that priority allocation of funding under title I of the bill has been directed to the World Bank and IDA and to the African Development Bank and Fund.

Tables reflecting historical U.S. contributions to the Asian Development Bank, as well as the current replenishment follow:

ASIAN DEVELOPMENT BANK

ACTUAL SUBSCRIPTIONS/CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	U.S. percent of total
Paid-in	$2,354.4	$351.6	14.9
Callable	17,121.6	2,552.7	14.9
Asian Development Fund	7,424.6	1,222.1	16.5
Total	26,900.6	4,126.4	15.3

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$404.7	$66.2	16.3	$37.9	57.2
Callable	7,688.8	1,256.8	16.3	[1] 729.0	58.0
Asian Development Fund	3,204.6	520.0	16.2	355.7	68.4
Total	11,298.1	1,843.0	16.3	1,122.6	60.9

[1] Subscribed subject to a program limitation; in the event a call were necessary appropriations would still be required.

AFRICAN DEVELOPMENT FUND

Appropriation, 1987	$90,427,000
Budget request, 1988	75,000,000
House allowance	75,000,000
Committee recommendation	75,000,000

The Committee recommends the appropriation of $75,000,000 for the African Development Fund.

HISTORY AND BASIS OF U.S. PARTICIPATION

The AFDF was established in 1972 by the African Development Bank and 15 nonregional governments to provide financing on concessional terms to the Bank's members. The United States was not among the original nonregional members, but joined in 1976 with an initial commitment of $15,000,000.

The purpose of the AFDF is to assist the Bank in making an effective contribution to the economic and social development of its African members and to promote cooperation among them. The operations of the AFDF closely complement those of the African Development Bank. The AFDF is the soft window of the Bank, providing financing for projects on highly concessional terms of 50 year maturities including a 10-years grace, and a 0.75-percent service charge.

Membership in the AFDF has increased substantially since its establishment. Twenty-five governments are donors, including most OECD members, several OPEC countries and a number of middle-income developing countries including Argentina, Brazil, India, Korea, and Yugoslavia.

PROGRAMS AND POLICY DIRECTIONS

AFDF annual lending has expanded from 17 loans totaling $47,000,000 in 1974 to 60 loans for projects and studies in 1986 totaling $586,000,000. Through 1986, the AFDF had made loans to 44 members for a total of $3,500,000,000. Major borrowers in 1986 were Sudan, Ethiopia, Zaire, Uganda, Chad, and Kenya. The vast bulk of loans go to countries with a per capita income below $550, and over one-half goes to countries below $350. Lending has emphasized agriculture, transportation, public utilities, industry, education, and health. Projects most often attempt to address the basic needs of the poor, emphasizing jobs and improved living conditions.

During the 1980's, about 5 percent of commitments were for nonproject loans. Nonproject lending was initially limited to sector and rehabilitation schemes and provided support for policy reforms already in place. However, operations are being extended now to support broader economic reforms often in conjunction with other donors including IBRD/IDA. The AFDF intends to increase funding to the poorest countries in its traditional sectors, giving attention to agriculture and rural development and emphasizing food self-sufficiency. The fund also will promote projects that improve economic cooperation and trade among African countries, emphasizing multinational projects, environmental protection, and women in development.

JUSTIFICATION FOR FUNDING

The poorest countries of Africa, which the African Development Fund serves, are in particularly difficult positions relative to income per capita ($210 in 1984); life expectancy (48 years); caloric intake (90 percent of daily requirements); and education (13 percent of eligible children enrolled in secondary schools in 1983). In economic development terms, the low income sub-Saharan African countries have effectively lost ground for over a decade as per capita income declined on average 0.1 percent a year over the period 1965–84. Improving the situation in these countries poses a major challenge to both the countries themselves and the international community at large.

These countries require concessional financing for their investment programs and to support their economic adjustment efforts. The African Development Fund has been an effective channel for supporting development projects, particularly those which benefit the poorest segments of society. It is now increasing its emphasis on structural and sectoral policies of the countries it lends to and its success in these areas is promising. Continued U.S. financing for the fund supports economic stability for an area of strategic importance to us while also extending humanitarian assistance to the poor of the region.

The Committee wishes to emphasize the degree to which international debt burdens inhibit the development of African nations. By draining economic resources needed for development purposes and natural resource restoration, capital outflows to meet debt servicing requirements erode the capacity of African nations to protect the natural resource base. Furthermore, the need to service debt by forcing an emphasis on foreign exchange earning export production to the detriment of production for domestic consumption.

African debt has expanded more rapidly in recent years than that of any other region. Low-income African countries, have little capacity to generate the foreign exchange necessary to meet debt service obligations in a timely manner and—at the same time—maintain even existing levels of economic growth and living standards and sustainable natural resource management.

The debt of low-income African countries is unique in that it is overwhelmingly owed to official rather than private creditors, and new private capital is generally unavailable to these countries. Therefore, the Committee believes the United States should move quickly to alleviate more effectively the contemporary debt service burdens of low-income countries in sub-Saharan Africa.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of the full amount requested by the administration for fiscal year 1988 contributions to the African Development Fund. Our recommendation is based on the interlocking relationship of the need of African nations for increased flows of concessional lending and the administrative initiatives within the African Development Bank to embark on structural and sectoral policies which encourage appropriate economic policy reforms.

The Committee recommends the appropriation of $75,000,000.

Tables reflecting historical U.S. contributions to the African Development Fund, as well as the current replenishment follow:

AFRICAN DEVELOPMENT FUND

ACTUAL CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	U.S. percent of total
Contribution	$3,418.1	$438.4	12.8

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
4th replenishment	$1,461.0	$225.0	15.4	$59.6	26.5

AFRICAN DEVELOPMENT BANK

Appropriation, 1987	$20,480,127
Budget request, 1988	8,999,371
House allowance	8,999,371
Committee recommendation	8,999,371

The administration is requesting the appropriation of $8,999,371 for fiscal year 1988.

HISTORY AND BASIS OF U.S. PARTICIPATION

The African Development Bank was established in 1963 to make loans on near-market terms for the economic and social development of its African members. The AFDB's lending activities are financed mainly through the paid-in capital subscriptions of member countries and borrowings in international capital markets.

In the first 20 years the Bank was organized and capitalized entirely by African countries. The United States and other nonregionals joined the AFDB in late 1982 and 1983. The Bank membership currently consists of 75 countries, 50 African members, and 25 nonregionals, including the United States, Japan, Canada, and most of the major industrialized countries of Europe. The United States is the Bank's largest nonregional shareholder, with 5.6 percent of the capital. Nigeria is the largest regional shareholder with 9.9 percent of the stock.

PROGRAMS AND POLICY DIRECTIONS

In its initial years, actual loan operations of the AFDB were limited. The Bank began operations in 1967 with only one loan amounting to United States $2.3 million. Since then Bank lending activity has increased dramatically. In 1986, there were 26 loans totaling $1,034,000,000. The leading borrowers were Morocco, Nigeria, Egypt, Zaire, and Cameroon.

During the 5-year period 1981–85, just under 52 percent of Bank lending went to two sectors: public utilities, mainly water supply and sewerage, and agriculture. Prior to 1981, public utilities and transportation were the two dominant sectors. This shift toward agriculture began in 1977 and the Bank intends to continue this emphasis, with 30 percent of its project lending targeted to this area in coming years.

Although the bulk of the Bank's activity will remain in project financing, the AFDB is moving to increase its policy based lending. The Bank will finance program, sector, and structural adjustment loans to assist member countries to resume the process of economic growth.

JUSTIFICATION FOR FUNDING

United States economic interests in Africa are clear. The countries of sub-Saharan Africa are the source of many minerals which are vital to our economy and our defense, for example, chrome, manganese, cobalt, and industrial diamonds. African countries are also important sources of petroleum. Direct United States investment in Africa amounted to $6,300,000,000 in 1985. African countries bought 11,000,000,000 dollars' worth of United States commodities, equipment, and technology in 1985 and represent a market for greater exports.

Most of the countries which are middle income for Africa, and thus receive nonconcessional AFDB loans, are at a level of development far below that of the middle-income countries of other regions. The middle-income countries of sub-Saharan African have an average per capita income of $390 compared to $990 in other developing regions. Life expectancies in these African countries are 17 years less than in other middle income developing nations and adult literacy rates lag far behind those of Asia and Latin America, let alone those of the developed world.

This is an important time for the African Development Bank, when it can help African nations implement their decisions to reform their economies and institutions. As the largest non-African shareholder, United States support for the Bank is an important sign to the Bank's African members that we are helping them in their efforts to achieve economic progress.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of $8,999,371, the full amount requested by the administration. The full U.S. subscription to the AFDB does not represent much in dollar terms, but it is important to the financial strength of the Bank for maintaining the U.S. presence and vote in the institution.

The Committee has recently learned of a cooperative agreement between the United States, African Development Foundation, and the African Development Bank. The Committee strongly believes that this cooperative endeavor could be strengthened by the inclusion of a jointly financed facility to provide training and credit assistance to informal sector businesses and family enterprises in Africa. It is the Committee's understanding that negotiations are in progress for the establishment of such a facility and urges that the ADF and the ADB continue their collaboration to ensure the timely implementation of the facility.

In support of this initiative, the Committee recommends that the United States Executive Director to the African Development Bank support and offer his good offices assistance to influence other external donor support for the ADF/ADB training and credit facility.

Tables reflecting historical U.S. contributions to the African Development Bank, as well as the current replenishment follow:

AFRICAN DEVELOPMENT BANK

ACTUAL SUBSCRIPTIONS

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	U.S. percent of total
Paid-in	$1,284.8	$69.4	5.4
Callable	3,854.4	208.3	5.4
Total	5,139.2	277.7	5.4

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1986	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$1,215.4	$89.9	7.4	$69.4	77.2
Callable	3,646.2	269.8	7.4	[1] 210.4	78.0
Total	4,861.6	359.7	7.4	279.8	77.8

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[1] Subscribed subject to a program limitation; in the event a call were necessary appropriations would still be required.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Appropriation, 1987	$237,264,000
Budget request, 1988	194,000,000
House allowance	232,961,900
Committee recommendation	238,380,000

As part of our membership in the United Nations, and pursuant to treaty, the United States provides a fixed percentage of its contributions, usually referred to as "assessed contributions," to the United Nations and to various specialized agencies, together with other international organizations such as the Organization of American States, NATO, and other smaller, research related agencies. Those contributions are funded through the Departments of Commerce, Justice, State, and Related Agencies Appropriations bill. The budget request for fiscal year 1988 for these purposes totals $500,519,000. That request is detailed in the following table:

U.S. ASSESSED CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

[In thousands of dollars]

	Fiscal year 1986 actual	Fiscal year 1987 estimate	Fiscal year 1988 proposed
United Nations and specialized agencies	326,806	238,832	305,810
Inter-American organizations	65,636	87,198	96,660
Regional organizations	42,230	50,868	55,780
Other international organizations	8,252	8,102	11,750
New and provisional organizations (from international conferences and contingencies appropriations)	565	313	519
Contributions for international peacekeeping activities	28,136	29,400	30,000
Total, U.S. assessed contributions	471,625	414,731	500,519

In addition to these assessed contributions, the United States makes voluntary contributions to the United Nations and to other international organizations. These voluntary contributions are provided under this legislation. The United States and other countries, for a variety of humanitarian, foreign policy, or other reasons, voluntarily contribute to agencies, notably to the United Nations Development Program [UNDP] and the United Nations Children's Fund. Appropriations for voluntary contributions to these agencies were at their highest in fiscal year 1985 at nearly $359,000,000, and fiscal year 1987 funding totals about $237,000,000. For fiscal year 1988, the Committee recommends an appropriation of $238,380,000, slightly greater than the previous fiscal year. Funding provided in the Committee's recommendation is earmarked in the legislation as indicated in the following table, which also details the administration's request and the fiscal year 1987 level.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

	Fiscal year 1987 actual	Fiscal year 1988 request	Committee recommendation
U.N. Development Program [UNDP]	$107,500,000	$90,000,000	$110,000,000
U.N. Children's Fund [UNICEF]	51,080,000	30,000,000	51,080,000
International Atomic Energy Agency [IAEA]	20,500,000	22,300,000	20,100,000
U.N. Environment Program [UNEP]	6,800,000	4,800,000	6,800,000
International Convention and Scientific Organization Contributions	2,000,000	1,200,000	2,000,000
World Meteorological Organization/Voluntary Cooperation Program [WMO/VCP]	2,000,000	2,000,000	1,960,000
U.N. Capital Development Fund [UNCDF]	861,000	1,000,000	980,000
U.N. Educational and Training Program for Southern Africa [UNETPSA]	789,000	800,000	780,000
U.N. Development Fund for Women [UNIFEM]	219,000		220,000
UNIDO Investment Promotion Service	150,000	500,000	150,000
Convention on International Trade in Endangered Species [CITES]	172,000	200,000	170,000
U.N. Voluntary Fund for Victims of Torture [UNVFVT]	86,000	100,000	85,000
World Food Program [WFP]	1,818,000		980,000
U.N. Trust Fund for South Africa [UNTFSA]	250,000	250,000	245,000
U.N. Institute for Training and Research [UNITAR]			
U.N. Fellowship Program	100,000		100,000
U.N. Institute for Namibia [UNIN]	110,000		110,000
U.N. Center on Human Settlements	400,000		400,000
International Fund for Agricultural Development [IFAD]	28,710,000	26,600,000	30,000,000
World Heritage Fund [WHF]	219,000		220,000
UNDP Trust Fund to Combat Poverty and Hunger in Africa			
Subtotal, United Nations	223,764,000	179,750,000	
Organization of American States development assistance programs [OAS]	13,500,000	14,250,000	12,000,000
Total, International organizations and programs	237,264,000	194,000,000	238,380,000

UNITED NATIONS DEVELOPMENT PROGRAM

Since the appropriation for UNDP of $165,000,000 in fiscal year 1985, it has received decreasingly smaller contributions, with fiscal year 1987 funding at $107,500,000. This program is far too important to worldwide development assistance and to the implementation of other U.N. programs to be allowed to decline further. Therefore, the Committee recommends an appropriation of $110,000,000.

UNDP was established as the technical assistance arm of the United Nations—its primary development assistance focus—and operates in more countries than any other single development agency. In addition to its own agenda, it implements programs of other agencies such as the Food and Agriculture Organization, and the World Health Organization. The program, under American leadership, has successfully combatted the political mischief so prevalent in many other U.N. organizations. A failure on the part of Congress to make available adequate resources for UNDP would, the Committee believes, endanger the leadership role of the United States in that agency.

UNITED NATIONS CHILDREN'S FUND [UNICEF]

Also under American leadership, UNICEF has succeeded in ensuring that its activities have not been subject to the politics found in many other U.N. agencies. UNICEF is perhaps the best-known and is certainly the most popular of U.N. agencies, a status it deserves. Thus, Congress has consistently shown its support for UNICEF by increasing administration budget requests, an action the Committee once again recommends by suggesting $51,080,000 rather than the $30,000,000 requested.

The Committee once again expresses its true concern over the failure of the administration to request adequate amounts for UNICEF. The administration's request would have reduced the U.S. contribution to UNICEF by 40 percent. UNICEF's promotion of low-cost primary health care programs such as immunization against childhood diseases and oral rehydration therapy, have saved over 4 million young lives over the past 5 years. In addition, UNICEF's efforts have given scores of developing nations the hope of reducing their infant mortality rates by one-half within the next 5 years. The Committee is perplexed why the administration has failed to recognize that this relatively small agency, promoting cost-effective solutions to protecting the lives of children throughout the World, represents a genuine bargain for the taxpayer.

As the Committee is recommending for AID, the Committee also believes that UNICEF should explore ways of ameliorating the plight of the numerous homeless children in developing countries. These children, misused and abused, form an increasing drain on nations' economies. But more, they represent a political, social, and economic failing of tremendous proportion. Surely, an agency of the caliber of UNICEF, whose focus has to date been primarily on helping infants and mothers, should be considering as well the plight of only slightly older children who make up the ranks of the homeless. Related is the conscious abuse of children through child labor practices which this country outlawed at the turn of the century. The Committee would be interested in obtaining the views of UNICEF on what role it could play in both of these areas.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT [IFAD]

This Committee has, in the past, been critical of IFAD. However, the operation of the organization over the last 4 years has been commendable and deserving of support. IFAD's programs, which are relatively small in size, concentrate on the most basic agricultural development problems, particularly in sub-Saharan African countries. Its programs are noted for their ability to get down to the grassroots level to provide cost effective and appropriate assistance at that level. Also, it is unique among international organizations in the level of contributions from OPEC countries.

While the Committee strongly supports the provision of funding for IFAD, the Committee believes it is prudent to note that discussions relative to the third replenishment which result in an increase in the U.S. contribution to IFAD of nearly 50 percent, would be most difficult to achieve under the current budgetary situation. Therefore, the Committee would caution the administration as it negotiates the third replenishment that these budgetary constraints must be kept in mind. The Committee would also encourage IFAD to continue to explore creative new ways of obtaining financing. The Committee is impressed with several suggestions it understands are currently being considered by IFAD, including increasing membership of category II countries, broadening cofinancing agreements, commercial involvement, and the creation of trust funds. Other proposals being considered by IFAD would involve structural changes (for example, changes in concessional loan terms, providing IFAD with borrowing authority, and the establishment of a banking affiliate) merit close scrutiny by IFAD. The Committee encourages these efforts and would only note its strong support for IFAD's tripartite structure and the need to preserve this unique feature of the organization.

The Committee will continue to follow IFAD's evaluation and monitoring procedures in order to stay informed of the Fund's specific activities.

TITLE II

BILATERAL ECONOMIC ASSISTANCE

AGENCY FOR INTERNATIONAL DEVELOPMENT

The Agency for International Development [AID] is the arm of the U.S. Government which has the principal operating responsibility for U.S. economic assistance programs. AID is currently on the ground in over 60 countries, and, in addition, it manages projects in many other countries through its various regional programs. The Agency's experience and personnel make it the leading development assistance agency in the World.

ECONOMIC ASSISTANCE TO CENTRAL AMERICA

In the face of unprecedented budgetary constraints, the Committee again recommends generous levels of economic assistance to Central America. Between fiscal years 1981 and 1987, U.S. taxpayers provided $4,676,000,000 for economic assistance to Central America. The President has requested $693,457,000 for Central America in economic assistance programs for fiscal year 1988.

The priority this Committee assigns to Central America in the face of competing claims of great merit could be described as a triumph of hope over experience. The Committee endorses the regional peace efforts of the democratic Central American presidents and the joint initiative of President Reagan and Speaker Wright, and, like them, is mindful of the risks involved.

The Committee is aware that the large sums of economic assistance previously made available to Costa Rica, El Salvador, Guatemala, and Honduras have not achieved the intended objectives of sustained economic development and improved living conditions for the poor majority in each country. In retrospect, expectations of early economic recovery have proved to be incompatible with the reality of regional conflict and internal polarization within the countries of Central America.

Clearly, the more ambitious objectives of the National Bipartisan Commission on Central America, whose recommendations have formed the basis of U.S. economic policy in the region, have not been achieved. Nonetheless, there have been accomplishments.

—Economic collapse, a real possibility in each of the countries receiving U.S. assistance during the period, has been avoided.

—Open and free elections in Guatemala, Honduras, and El Salvador marked substantial democratic advances in each of those countries. United States support was essential.

—In the face of persistent economic warfare by insurgent forces, El Salvador has managed, with the help of our foreign aid as well as remittances from Salvadorans resident in the United States, to arrest the decline in its economy.

—Costa Rica, Guatemala, and Honduras have undertaken painful steps toward economic adjustment that were possible only because of aid from programs funded in this bill.

—Long-term efforts to promote Government efficiency and remove obstacles to private enterprise are proceeding and could produce positive results when investor confidence returns.

—More than 3,500 exceptional Central Americans of ordinary means have been educated or trained in the United States, giving a broad range of Central America's future leaders an opportunity to know our Nation and its people.

This year, for the first time since 1980, there is realistic hope for a transition from armed conflict to peace throughout the isthmus. Should the peace initiatives now underway succeed, the funds recommended by this Committee will be essential to the rehabilitation of the region. In fact, more assistance than can be provided at this time may be required in the near future.

COMMITTEE CONCERNS ON ASSISTANCE TO EL SALVADOR

The Committee and the Congress have supported enormous resource flows to El Salvador, sometimes reluctantly, in the hope that all elements of the Salvadoran society would eventually work together for peace, social justice, and more equitable economic development. In reporting this bill to provide still more assistance, the Committee urges the Government of El Salvador, labor unions, the large and small business communities, and all other potentially constructive groups to begin a new dialog for nation building. None of these elements can be left out of the process. In the past, the Committee has expressed strong doubts about the private sector's willingness to put the future peace and political stability of the country above its own self-interests. We would urge the private sector in El Salvador to endorse President Duarte's views toward human rights abuses and democratization. The Committee calls upon the business community and the Government of El Salvador to attempt to cooperate with constructive dialog on ways to address an unemployment rate close to 50 percent and an inflation rate of over 25 percent, and to encourage free market-oriented reforms. In particular, the private sector and the government must abandon the distrust and antagonism that have characterized their relations in the past and move forward in a cooperative and constructive manner to resolve the problems that threaten to undermine the democratic processes now underway in the country. U.S. resources, especially for foreign assistance, are limited and will be restricted in future years to those programs which demonstrate positive returns.

AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION

Appropriation, 1987	$676,600,000
Budget request, 1988	471,000,000
House allowance	663,000,000
Committee recommendation	488,715,000

The Committee is recommending $488,715,000 for agriculture, rural development, and nutrition activities for fiscal year 1988. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House-reported level, without the amount transferred by that Committee to sub-Saharan Africa, is $465,000,000.

AGRICULTURE: A DECADE OF PARADOX

The 1980's has been a decade of paradox for world agriculture. The paradoxes have not been abstract. Every American has seen them with his own eyes. One night the evening news features the starvation of millions of Africans. The next night the same broadcasts show agonizing scenes of farm foreclosures in America's heartland precipitated by excessive production and plummeting agricultural commodity prices.

During a decade in which 1 billion human beings did not have even the meager resources needed to avoid malnutrition, commodity prices in developed countries fell below the actual cost of production. At the same time that the developed world increased its per capita food intake, food production in Africa continued to decline.

Even within developing nations themselves, agricultural policy is characterized by paradoxes. Burgeoning populations must be fed, yet the best land is often dedicated to cash crops for export because of the overwhelming need of governments to finance foreign debt. This leads to shortfalls in production which are compounded by the reluctance of farmers to produce beyond their own needs unless they receive a fair price for their labors, and prices are often depressed by governments dominated by urban populations which are politically active and powerful. As one embittered relief worker in the Sahel commented, "Starve the city dwellers and they riot; starve the peasants and they die. If you were a politician, which would you choose?"

These are the paradoxes of world agriculture. But for hundreds of millions of human beings in developing countries, the paradoxes of agricultural policy are of no relevance. For them, the only issue is survival. According to the World Bank, one-third of the people in developing countries do not receive the minimum calories necessary for a productive life. A sixth of the populations of those nations did not consume enough food to prevent malnutrition or other hunger induced diseases.

ASIA

In South and East Asia, the Food and Agriculture Organization predicts that per capita food production will be almost 9 percent higher in the year 2000 than it was in the mid-1970's. International development assistance fostered the development of new types of rice, wheat, and maize with vastly higher yields than traditional varieties. The introduction of these new crop varieties, which need large quantities of water, was fostered by the expansion of irrigation through projects supported by international development assistance. Today Asia, not including the Middle East, contains over 50 percent of all irrigated acreage.

The results of irrigation can be seen particularly in India. Since 1950, cereal production in India has increased from 55 million to 140 million tons per year. Agricultural experts estimate that over 50 percent of that increase can be attributed to irrigation.

These are remarkable achievements. Nonetheless, it must also be emphasized that the success of these programs has bypassed hundreds of million of Asians. While the proportion of the malnourished is decreasing, at present over 200 million Asians are seriously malnourished. They stand in need of our assistance.

AFRICA

If Asia demonstrates the potential of development assistance, Africa demonstrates its limitations. It staggers the imagination to learn that, in spite of billions of dollars in aid that has been poured into Africa in the last three decades, per capita food production has dropped 20 percent between 1960 and 1980.

A variety of factors have seemed to conspire to produce this result. There have been 17 years of below average rainfall and 3 years of drought. In the face of massive population growth—in Africa, there are 1 million more children to feed every 3 weeks—Africa has on the whole, poor soil. Eighty percent of its land has limited fertility and nearly 50 percent of the continent cannot support agriculture without irrigation.

In Africa, governments, foreign and domestic, have often worsened, rather than improved the situation. African governments actually decreased their investments in agriculture between 1978 and 1982. It was during this time government spending per farmer increased in Latin America, and in the Near and Far East. In Africa, too often government policies have depressed food prices to satisfy urban political groups. When prices are low farmers are unwilling to take the risks to produce crops above subsistence levels. In Africa, foreign aid experts and programs have also contributed to the decline of agriculture. Those experts have urged Africans to undertake agricultural practices which the weak soil of Africa cannot sustain, leading to the exhaustion of the land and ultimately desertification. Even food aid shipments, that have continued beyond immediate famine conditions, have hurt the economic condition of Africa's farmers and thereby their willingness to increase production.

NO SIMPLE SOLUTIONS

In a situation characterized by such paradoxes, there is often a tendency to prescribe simple solutions. There are some who would argue that only projects that increase the production of poor farmers should be funded. However, if the Agency for International Development and the multilateral development banks do not promote the reform of economic policies in developing countries so that rural farmers receive a fair price for their products, no amount of assistance will increase local production.

Others would argue that all of AID's funds should be used to directly supply food to the hungry. However, if that food is supplied in a manner that undermines the local agricultural sector, it will only transform a temporary famine into a permanent one. And if all our aid is focused on local farmers there is a real danger that basic research in new seeds and methods, such as the research which developed the strains of miracle rice which transformed the rice production of Southeast Asia, will suffer.

Finally, if anything is clear from the history of agricultural development projects of the last two decades it is that production for production's sake alone is not a sound objective. Promoting excessive development of marginal land may produce more food for a few thousands for a few years, but the damage done in the long run may produce famine for millions. Agricultural development must be environmentally sound. It must be sustainable. Thus, for the Agency's efforts to be successful, they must be built on sound premises, and the requests for individual projects must respond to priorities based on those premises.

GUATEMALA LAND PROCUREMENT

As stated in last year's Committee report, the United States must encourage broadened access to productive land in Central America by landless farmers and smallholders as a basic element of U.S. policy to achieve economic development and social stability in that troubled region. The Committee commends AID for expanding its pilot open market land purchase project in Guatemala into a full-scale effort, even if modest in size. Evidence to date for this small land redistribution program, through the Penny Foundation, indicates dramatic increases in incomes, productivity, and job creation for the small farmer purchasers who are the beneficiaries.

The Committee requests that AID initiate a study covering the Central America region to examine the feasibility, on a larger scale, of similar private market land bank programs. The United States has used the Federal land bank system successfully here at home since 1916. Existing agrarian reform structures in countries such as Honduras and El Salvador should also be analyzed to determine the efficacy, in productive terms, of cooperative ownership models and to find ways to strengthen patterns of private ownership and management among agrarian reform beneficiaries. Land reform is badly needed in Central America, but innovative approaches using open market purchases, private sector long-term financing, and technical assistance may more effectively achieve both greater social justice and higher productivity.

AGRICULTURAL RESEARCH

The Committee believes that it is critical that the AID maintain a strong agricultural research effort. In this regard, last year's Committee report expressed concern about disproportionate cuts in centrally funded programs within the Office of Agriculture of the Bureau of Science and Technology. At that time, the Committee recommended against further disproportionate cuts in fiscal year 1987. The Committee believes that the Agency made an effort to be responsive to the Committee's concerns. However, funding for centrally funded agricultural programs, such as the collaborative research support programs [CRSP's], has reached a critical juncture.

The Committee continues to believe that AID should make a strong effort to maintain adequate funding for activities basic to the agricultural development goals of the Agency, such as agricultural training, research, technical assistance, and Third World institution building. Of special concern is the need to adequately fund activities with a long-term payoff such as the CRSP's.

Accordingly, in allocating agriculture, rural development, and nutrition funds in fiscal year 1988, the Committee encourages the Agency to fund the Office of Agriculture of the Bureau of Science and Technology at not less than the fiscal year 1987 estimated level.

VITAMIN A DEFICIENCY PROGRAM

For a number of years the Committee has supported vitamin A deficiency programs in AID. The Committee has earmarked funding for this program because vitamin A deficiency annually blinds 500,000 chidren as well as contributes to illness and death from diarrhea, pneumonia, and measles. If vitamin A capsules are given three times a year to children through the age of 5, they are protected against blindness caused by vitamin A deficiency during these critical and vulnerable years.

Preventing blindness in children means much more than maintaining their ability to see. Without sight, the life expectancy of a blind child in a poverty ridden society is very short and there is virtually no prospect of a productive life. The Committee believes that AID has been very responsive in its vitamin A program, and believes that it should be encouraged to do even more. Therefore, the Committee has earmarked $8,000,000 in the bill for this program.

DAIRY DEVELOPMENT

The Committee has again included language in its bill that up to $5,000,000 is to be provided for new development projects of private entities and cooperatives utilizing surplus dairy products. Such projects utilize Public Law 480, section 416, or World Food Program dairy commodities to increase milk and dairy product consumption, help build markets for U.S. dairy products, and strengthen agricultural development efforts.

The Committee understands that these activities have been adversely affected by the fact that U.S. surplus milk supplies vary seasonally as well as with U.S. domestic dairy policies. Developmental uses of dairy surpluses, especially those involving monetization, have not been given priority. The Committee, however, urges the administration to place a high priority on making available surplus dairy commodities for these innovative economic development projects.

AGRICULTURE ACTIVITIES IN POLAND

The Committee is again including in its bill a provision authorizing AID to provide up to $10,000,000 for agricultural activities in Poland which are managed by the Polish Catholic Church or other nongovernmental organizations.

Similar authority contained in previous appropriations acts had not been exercised because of the failure of the Polish Government to cooperate with the establishment, under the auspices of the church, of an agricultural foundation to effectively use these funds. This year, a Committee delegation, led by Senator Frank R. Lautenberg visited Poland and reported that circumstances in Poland have now changed and that the Polish authorities have indicated willingness to permit the Church Agricultural Committee to establish a nonprofit foundation to institutionalize the program and seek additional funding. The Committee also understands that the government has agreed to grant a tax exemption and customs clearance to allow the church committee to import farm machinery and water-pumping equipment. The Committee strongly applauds the recent actions of the Polish Government to permit the establishment of a nonprofit foundation. The Committee expects to be kept informed of the progress of AID in implementing this provision, especially as it relates to the Agency's consideration of a grant proposal from Catholic Relief Services.

JOINT CAREER CORPS

The Committee is concerned over the decreasing number of scientific and technical personnel within AID who are expert in agricultural and other technical fields. The Committee further recognizes that this problem could be greatly alleviated if the skills which are available at U.S. institutions of higher learning could be successfully tapped by AID. A Joint Career Corps [JCC] could be a means to enable recently tenured university professionals to enhance their skills, while at the same time bringing to AID added expertise and innovative thinking in specific skill areas. More youthful JCC personnel, who have not become inured to bureaucratic inertia in either the academic or governmental environments, could be assigned to AID for service overseas. During this time, the candidate would not only help to implement AID programs but would participate as well in overall program development at a decisionmaking level.

The Committee expects that these JCC personnel, who would return to their campuses after having experienced the development process at first hand and having undergone the rigors of life in the field, would be more able to undertake research of relevance to Third World agriculture and other areas where enhanced technical resources are so desperately needed.

At the same time the Committee contemplates that Agency personnel could enhance their professional expertise by on-campus research and teaching experiences at a cooperating institution.

Therefore, the Committee directs the Agency to use funds made available from this account to establish a 2-year pilot program in agriculture along the lines outlined above. To be truly effective in maximizing the resources available to the Agency, JCC personnel must not be charged against any personnel ceiling applicable to AID during the period of their assignment.

Should the concept prove to be a valuable one, the Committee may wish to consider similar programs in other sectors. Accordingly, the Committee expects to be kept closely informed through periodic reports on the progress of this initiative.

APPROPRIATE TECHNOLOGY INTERNATIONAL

For a number of years Appropriate Technology International [ATI] has received support from AID through its centrally funded Agriculture, Rural Development and Nutrition Program budget. The Committee has consistently supported the work of ATI and a recent review of ATI by the Agency confirms this view of the value of ATI's efforts. Given these favorable judgments, the Committee believes that it is important for AID to continue funding for ATI at appropriate levels. Therefore, the Committee directs that the Agency provide ATI with a level of assistance of at least, $4,200,000 in fiscal year 1988.

MEDITERRANEAN FRUIT FLY

The Committee is deeply concerned about the threat posed to the domestic fruit industry by the Mediterranean fruit fly. The Medfly was first introduced into Costa Rica in 1955 and, despite international and national efforts at eradication, the pest spread throughout Central America. In conjunction with the Animal and Plant Health Inspection Service [APHIS], AID is currently engaged in a Medfly eradication project, MOSCAMED, which involves the extension into southern Guatemala of an existing pest-free barrier along the Mexican-Guatemalan border. A second AID-APHIS project, the Central American Medfly Eradication Program [CAPMED], would build upon MOSCAMED and extend this eradication program throughout Central America, creating a pest-free barrier at the Darien Gap in Panama. Both projects involve potentially hazardous chemical pesticides.

Recognizing the possible adverse environmental consequences of pesticide use in expanding the barrier, and also recognizing the potential tremendous harm to U.S. industry should the Medfly infestation spread to the United States, the Committee urges AID to begin and expeditiously complete its planned environmental assessment of the underlying MOSCAMED project. The Committee also directs AID to report the assessment's findings to the appropriate Committees of Congress for their review. Based upon this assessment and completion of congressional consultations and review, AID is directed to provide up to $1,500,000 to carry out an environmental assessment of the more expansive CAPMED project.

AGRICULTURAL DEVELOPMENT AND U.S. AGRICULTURE

There have been several attempts in recent years to restrict agricultural activities of the multilateral banks and of AID's agricultural programs. It has been argued that U.S assistance should not be used to aid the production of any agricultural commodity in developing countries which is in surplus on world markets. It is argued that U.S. taxpayers should not subsidize the production of crops when U.S. farmers cannot sell all of their agricultural production at acceptable prices. On the surface, this argument has substantial appeal. But when examined more closely, the proposal to limit development assistance in this manner is fundamentally flawed.

It is well established that very poor countries cannot import significant amounts of U.S. agricultural products because their citizens are too poor to buy them. Yet, with development, imports of U.S. agricultural commodities increase.

The changes in meat consumption in the Middle East are a dramatic illustration of how increasing income will increase the demand for the type of agricultural products that the United States exports. Meat imports in the region increased from 100,000 tons in the 1970's to over 1 million tons in the 1980's.

Unfortunately most of the developing World is not located over massive oil reserves. Only if these nations develop their own agricultural bases will they have the income to import U.S. agricultural products. The creation of wealth in developing countries must be based on successful agricultural development. Successful agricultural development creates a pool of savings, stimulates demand for additional foodstuffs, and releases the labor force needed to launch broader economic growth. Until that additional wealth is created, and development ensues, developing countries will not have the wealth to import high quality food grains and animal products that are the heart of U.S. agricultural exports.

This analysis has been confirmed by numerous studies conducted by both the Department of Agriculture, the Agency for International Development, and independent organizations. The most recent of these was undertaken by noted agricultural policy specialist Dr. Robert Carlberg for the Kerry Foundation. Its conclusion deserves quotation:

> U.S. farm exporters, and especially coarse grain exporters, therefore, have an unmistakable interest in promoting income growth in the developing world. It is not the hunger of poor

countries, or even their growing populations, that makes them better customers for U.S. farm producers. It is the purchasing power that comes from their growing wealth.

NORTH AMERICAN WATERFOWL PLAN

Section 119(b) of the Foreign Assistance Act of 1961 provides authority to furnish assistance to protect and maintain wildlife habitat and conservation programs. The Committee is deeply concerned about the precipitous drop in migratory waterfowl populations in recent years. Because these species annual migration may range several thousand miles, an international effort is required to improve their management.

In 1986, the United States and Canada signed an agreement to implement the North American waterfowl plan. The plan provides for the most ambitious habitat protection program ever undertaken by these two nations. In addition, efforts are currently underway to include Mexico in this program.

The Committee has earmarked $2,000,000 for support of the North American waterfowl plan. These funds are to be provided to the National Fish and Wildlife Foundation to match, on 1-for-1 basis, non-Federal contributions for the implementation of the plan.

POPULATION PLANNING

Appropriation, 1987	$235,500,000
Budget request, 1988	207,500,000
House allowance	230,000,000
Committee recommendation	197,940,000

The Committee is recommending $197,940,000 for population activities for fiscal year 1988. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House-reported level, less the amount transferred by that Committee to sub-Saharan Africa, is $155,000,000.

For two decades the Committee strongly supported efforts to provide universal access in developing countries to a wide array of safe and effective family planning methods and to impress on developing country leaders the importance to their own development goals of reducing high rates of population growth. For most of this period the Committee's views have been shared by successive Democratic and Republican administrations.

Unfortunately, in recent years, the administration has pursued policies which have brought into question the longstanding U.S. commitment to international population programs and have seriously undermined the 20-year American investment in a now large and effective institutional capacity for the delivery of family planning services.

Accordingly, the Committee has recommended for approval a number of provisions in this bill intended to restore integrity to U.S. population assistance programs and to reestablish U.S. leadership in worldwide population efforts.

U.S. PARTICIPATION IN UNFPA

The Committee has included language in this year's bill to prohibit support of any organization or program which, as determined by the President of the United States, uses funds provided under the AID "Population planning" account to support or participate in the management of a program of coercive abortion or involuntary sterilization. This language is idential to current law with respect to this issue.

FAMILY PLANNING IN AFRICA

The Committee has, in effect, made available to Africa under the heading Sub-Saharan Africa, development assistance, $32,000,000 of funds that would have otherwise been appropriated for population planning. The Committee expects AID's Africa bureau to allocate at least $32,000,000 of the funds provided under sub-Saharan Africa, development assistance to voluntary family planning and population projects. This may be accomplished through current and new regional and bilateral programs, through existing procedures which allow AID missions to buy in to large centrally funded programs or through transfer to the population office funds designated for projects in Africa. The Committee expects that, in addition, AID's Population Office will maintain at least current levels of activity in Africa as reflected in obligations for centrally managed programs over the last several years.

While fully endorsing the Agency's strong response to the AIDS crisis in Africa, the Committee does not in any way condone a diminution of efforts to extend family planning services in the region. The Committee recognizes that the AIDS crisis will result in markedly increased death rates in Africa and the serious consequences these will have on families and societies. The Committee notes, however, that continued high birthrates exacerbate some of these problems: the increased incidence of AIDS-infected newborns and higher rates of infant mortality; the growing number of young children orphaned by parents with AIDS; the worsening of dependency ratios due to the concentration of deaths in the working age population; and the unmanageable pressures on health infrastructures. The Committee believes that the expansion of family planning services in Africa, particularly increased access to certain barrier methods of contraception which reduce transmission of the virus, are an important element in any response to the AIDS crisis.

CHILD SURVIVAL AND CHILD SPACING

The Committee commends AID for its vigorous implementation of child survival programs, including its use of other available funds, such a health assistance and economic support funds moneys, to carry out child survival activities. The Committee notes, however, that in addition to immunization programs, oral rehydration therapy, and other measures now promoted under AID child survival programs, other stated purposes of the fund include promotion of child spacing.

Birth spacing is universally recognized as a highly significant determinate of infant and child health. It is estimated that in many countries, birth spacing alone could prevent 1 in every 5 infant deaths. Ensuring at least a 2-year interval between births doubles a child's chances for survival. Accordingly, authorizing legislation specifically includes birth spacing as an integral component of the child survival account. The Committee is concerned that, despite this clear mandate, virtually no child survival funds have been applied by AID to child spacing programs. As oral rehydration and vaccination programs have become better established, the Committee expects that AID will devote a larger portion of the child survival fund to other purposes of the fund, including child spacing activities within the context of material and child health programs.

INFORMED CHOICE

The Committee has again included in the bill prior-year language requiring that funding under population planning assistance be available only to voluntary family planning projects which offer information on or referral to a broad range of family planning methods and services. The provision states that in awarding family planning grants for natural family planning, AID may not discriminate against applicants who, because of religious or conscientious commitment, offer only natural family planning. However, such applications must agree, as a condition of funding, that they will comply with the requirement to provide objective, accurate information about other family planning choices, so that clients may make informed voluntary choices. The Committee believes that this requirement, which places the individual needs and desires of the family planning client above those of the service provider, is one of the foundations of U.S.-supported family planning programs.

COST SHARING

The Committee believes that by entering into cost-sharing programs, under which AID population funds are combined with funds from private family planning service organizations for the purpose of implementing specific family planning service programs, AID can substantially increase the resources dedicated to family planning purposes. In addition, such a program can be expected to attract highly motivated organizations which place a greater emphasis on the cost effectiveness of these programs. A cost-sharing arrangement would be entirely consistent with the administration's general policy of increasing private sector participation in public service programs. The Committee requests that the Agency explore this approach to the provision of family planning services and advise the Committee on its feasibility by March 31, 1988.

MEASUREMENT OF PROGRAM EFFECTIVENESS

The Committee believes that the effectiveness and efficiency of AID's family planning programs could be improved were the Agency to apply standard measurement formula in evaluating the success of its population programs. To date, the Committee is unaware that AID uses such an approach to evaluating its family planning programs and, as a result, is concerned that the Agency is unable to assess whether the funds spent on a given project actually achieve the results they are expected to achieve. An objective measurement formula, focusing on results achieved rather than on funds spent, should greatly benefit AID's family planning programs.

Private organizations in the family planning field have for many years employed measurement formulas which focus on results, typically relying on the couple-years protection [CYP] formula. This measurement standard was developed over many years by research organizations in close collaboration with AID and is widely recognized by academic institutions and practitioners as an accurate and convenient mechanism both to determine the cost of family planning services on a per family basis and to measure the number of families reached by these programs.

The CYP is defined as the provision of family planning services sufficient to provide one couple with 1 year of complete contraceptive protection against pregnancy. It is adaptable to both clinic-based and nonclinic service delivery modes, enabling program evaluators to compare the cost efficiency of different methods of delivery as well as different contraceptive methods. The Committee directs that, on March 31, 1988, AID submit an interim report detailing the steps the Agency is taking to establish and utilize a CYP-based methodology for evaluating program effectiveness and, on each March 31 thereafter, a report detailing how the Agency is using this methodology in the allocation of population planning assistance funds.

HEALTH

Appropriation, 1987	$172,400,000
Budget request, 1988	120,100,000
House allowance	168,000,000
Committee recommendation	118,272,000

The Committee is recommending $118,272,000 for health activities for fiscal year 1988. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House-reported level, without the amount transferred by that Committee to sub-Saharan Africa, is $119,000,000.

The global struggle against disease continues to confront enormous challenges. Poverty, and its issue, hunger and disease, continue to plague more than one-half of the World's population. The medical technology and social investments which have turned diseases like measles and diphtheria into medical curiosities in the developed world are still not widely available in the Third World. The commitments of the world's nations, through the World Health Organization, to achieve a minimum level of health for all persons by the year 2000 and universal access to clean drinking water and immunization by 1990 are in doubt today. The debt crisis, the world recession of the early 1980's, and the consequent economic adjustment process have all set back the international effort to improve the health of the people of developing nations.

In the developed world, there is often the illusion that health is a separate issue from economics. In the developing world, there is no such illusion. Health improves directly with income. Higher incomes permit families to buy food with the balanced nutrients necessary for good health. Broader social expenditures with wider health benefits, such as water supply systems, agricultural investments, or immunization programs are often only possible if a nation's wealth is increasing. In a context of economic stagnation and decline, the problems entailed in improving the health of the individual or the social family are magnified.

TREATMENT AND CONTROL OF RIVER BLINDNESS

The Committee recommends that the Agency for International Development use $1,000,000 under the health account to assist in the distribution of ivermectin, a new drug to treat river blindness (onchocerciasis), a disfiguring and often blinding disease that afflicts between 20 to 40 million people in the tropical developing world. Up until now, the only means of controlling this disease has been a program—supported by the United States—of aerial spraying to eliminate the insect that transmits the disease.

Merck & Co., Inc., the discoverer of the drug, has announced that it will donate supplies of the drug for use by qualified programs worldwide. This appropriation is intended to provide resources to help distribute the drug in countries where onchocerciasis is a problem.

Although the potential for this new agent appears great, its successful use in mass treatment programs will require careful development, coordination, and evaluation of logistical and dispensing requirements. Therefore, it would be premature to alter the current strategy of larvaciding until an assessment of the public health role of ivermectin is completed. This appropriation is not intended to replace the funds now being provided for the spraying program, but to provide additional resources to begin treatment programs with ivermectin in areas of greatest need and where adequate monitoring can be maintained. Further, it is expected that other governments and worldwide organizations, such as the World Health Organization, will also support this program.

AGING

The Committee's report last year requested that AID begin to allocate a portion of its health resources to international research on problems affecting older persons. The Committee went so far as to suggest different avenues of investigation which the Agency might pursue. The Committee has been less than satisfied with the Agency's response and continues to believe that such research can inure to the benefit, not only of those in developing countries, but also to those in this country suffering from Alzheimer disease and other diseases affecting older persons. The Committee has no doubt that there is a substantial role for AID to play in this area. Most obviously, as development occurs and traditional social support systems diminish in significance, the governments of developing countries will be called upon to deal with health problems with which they are not accustomed. Therefore, the Committee strongly reiterates its recommendation that AID begin to channel health resources into research activities in this health sector. The Committee expects AID to provide it with a report by April 15, 1988, on the steps it plans to take to implement this recommendation.

INTERNATIONAL HEALTH TRAINING

The Committee is impressed with the work of the Milwaukee International Health Training Center, and also the local community's support of this AID-funded project. It is unusual that local governments would provide direct funding for this type of activity. By doing so, Milwaukee County is demonstrating its commitment to the future success of the center. The Committee understands that the center has initiated discussions with AID on a follow-on multiyear program of approximately $5,000,000 over 5 years, and believes that on the basis of the project's prior history that this new proposal should be favorably considered.

INTERNATIONAL AIDS PREVENTION AND CONTROL PROGRAM

Appropriation, 1987	
Budget request, 1988	
House allowance	$30,000,000
Committee recommendation	30,000,000

The Committee bill establishes a new appropriation account entitled "International AIDS Prevention and Control Program" and recommends an appropriation of $30,000,000. Of this amount, $15,000,000 is to be made available to the World Health Organization [WHO] for its special program on AIDS.

The AIDS pandemic represents an unprecedented worldwide threat. In poor, developing countries it represents both a threat to individual citizens and a major challenge to economic development itself. The Committee endorses the role of the WHO as the lead agency coordinating international efforts to prevent, treat, and control the disease.

The Agency for International Development is responsible for directing the economic assistance activities of the United States with the developing World. The Committee expects and encourages the Agency for International Development to coordinate with the WHO special program on AIDS to ensure that U.S. bilateral activities are closely coordinated with the special program.

Furthermore, in consideration of the seriousness of the AIDS problem in developing countries, the Committee believes that the Agency should develop a coordinated program of support for the WHO-led international effort to control the spread of AIDS. This program should take into account the resources of other U.S. Government agencies, international organizations, private and voluntary organizations, and other entities involved in the battle against AIDS. It is essential that the U.S. agencies and organizations concerned with AIDS work in harmony. Congress expects the Agency for International Development to ensure adequate coordination so that the budget resources available from this bill or any other appropriations assisting developing countries combat AIDS problems are implemented with maximum effectiveness.

The U.S. domestic research and program efforts to combat AIDS can be of important benefit to developing countries. The Committee believes it is essential for the Agency for International Development to stay informed on the design and implementation of these domestically oriented activities. In this way the Agency can ensure that aspects of these domestic efforts of potential relevance to developing countries will be available to them. The Committee encourages the Agency to act in a reciprocal manner, making its knowledge of the design and implementation of internationally oriented activities available to other U.S. entities.

Given the importance of AIDS as a public health and development problem, the Agency is directed to report semiannually on its activities and the progress of efforts to combat the spread of AIDS. In providing funding to combat AIDS from a separate appropriations account, it is not the Committee's intention to preclude the use of other economic assistance funds for additional assistance for this purpose. It may be that ESF or other development assistance funds could usefully supplement the funds appropriated under this heading.

CHILD SURVIVAL FUND

Appropriation, 1987	$75,000,000
Budget request, 1988	61,000,000
House allowance	80,000,000
Committee recommendation	61,613,000

The Committee is recommending $61,613,000 for the Child Survival Fund for fiscal year 1988. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House-reported level, without the amount transferred by that Committee to sub-Saharan Africa, is $66,000,000.

In the sphere of international development, the Congress is repeatedly faced with a series of agonizing human tragedies. These tragedies are of such immense size and complex proportions that they often appear impossible to resolve.

For many years the Congress faced just such a tragedy when it examined infant mortality in the developing world. The immensity of the tragedy was clear from one statistic: the death of children under the age of 5 accounts for one-half of all the deaths in the developing world.

Unlike many such problems, however, in the early 1980's a feasible strategy for addressing the tragedy of infant mortality began to develop. The hope that infant mortality could be successfully addressed arose from the development in the 1970's and early 1980's of a series of simple and inexpensive medical interventions that could drastically reduce the level of infant mortality. These technologies, if made universally available, had the potential of reducing infant mortality one-half. The prospect of reducing infant mortality by one-half caught the imagination of the American people and the Congress.

Fortunately at the same time that these technologies were coming to their maturity, a plan for international cooperation developed to make these life preserving technologies available to every child.

It was in this context that the Congress in 1984 established the Child Survival Fund. The Congress established this program out of the conviction that the Agency for International Development should focus a significant portion of its efforts on the special health needs of children and mothers.

In establishing this program the Congress encouraged the Agency to utilize the simple, available technologies which can significantly reduce childhood mortality, such as improved and expanded immunization programs and the promotion of oral rehydration. In addition to oral rehydration therapy and immunization, the Agency for International Development is convinced, and the Committee agrees, that two other activities are an essential part of a successful Child Survival Program.

These are birth spacing and a special nutrition program focused on breast feeding, weaning, and growth monitoring.

With regard to the Child Survival Program, and within the context of its full support for this effort the Committee has several concerns.

First, the Committee believes that the Child Survival Program must supplement and not replace existing health and nutrition activities authorized under sections 103 and 104 of the Foreign Assistance Act. In particular, the Committee is concerned that the Child Survival Fund is being used in certain instances to offset shortfalls in these development assistance accounts for government-to-government programs and is not necessarily being targeted to countries with the highest infant mortality rates. Therefore, the Committee directs that AID use these funds, to the maximum extent feasible, in those countries with the highest infant mortality rates. In programming child survival funds, AID shall give priority to private and voluntary organizations and international organizations which have the capacity to operate in such countries and which have the capability to strengthen the direct delivery of child survival services to children and parents at the community level. In this regard, the Committee directs AID to provide at least $25,000,000 of child survival funds to support appropriate child survival programs through the Agency's Office of Private and Voluntary Cooperation. These funds are not to be drawn from other valuable development assistance accounts nor are they to replace programs supported under other accounts.

Second, the effort must be an international one. In spite of our strong humanitarian impulses the United States alone cannot make these emergency medical interventions available to all the children of the world by the year 1990. The resources available for foreign aid are simply too limited. It is for this reason that the Committee urges the Agency to continue to work cooperatively with other bilateral and multilateral agencies in pursuing these objectives. The Committee is pleased that the Agency has joined an international effort involving UNICEF, WHO, UNDP, and PAHO to make oral rehydration therapy available to all of the world's children by 1990.

Third, the Committee believes that these health systems must become financially self-sustaining. The Committee, therefore, supports the Agency's special efforts to establish institutional financial systems for these interventions that will reduce dependence on U.S. assistance in the long run.

EDUCATION AND HUMAN RESOURCES DEVELOPMENT

Appropriation, 1987	$168,400,000
Budget request, 1988	123,650,000
House allowance	165,000,000
Committee recommendation	115,751,000

The Committee is recommending $115,751,000 for education activities for fiscal year 1988. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House-reported level, less the amount transferred by that Committee to sub-Saharan Africa, is $117,000,000.

The Education and Human Resources Development Program of the Agency for International Development concentrates its work on basic (primary and secondary) education, adult and vocational training, advanced scientific professional and technical training, and research in basic education and training. The program seeks to help countries assess existing practices in order to identify and correct inefficiencies, strengthen successful education and management systems, and explore administrative and financial choices for education and training at all levels. Behind these efforts lies the well-researched and widely accepted principle that education is necessary for the social and economic development of peoples and nations.

It is equally axiomatic that the largest part of the resources necessary to develop and sustain the school systems for any nation's children must be raised and administered locally. AID's contribution to the development of such education systems, therefore, focuses on improving and developing countries' planning and policymaking capacities at all levels rather than underwriting recurrent expenses.

Developing countries have made substantial progress over the last 20 years in the effort to produce a literate, trained and productive work force. Between 1960 and 1980, primary enrollments increased in Africa by 218 percent, Asia by 128 percent, and Latin America and the Caribbean by 134 percent.

However, the number of illiterate adults is rapidly growing in Africa and Asia due to the poor quality of education and the inability of the system to grow as rapidly as the population. Over 20 African countries have adult illiteracy rates higher than 60 percent, while 65 percent of the world's illiterate population lives in Asia.

By the year 2000, 6 of every 7 school-age children will live in the developing world. Optimistic projections show only one-half of them completing primary school, meaning that the number of illiterates in the world will total almost 1 billion by 2000.

This weak human resource base will continue to impede the advance of development. World Bank evidence demonstrates a strong correlation between basic education and the acquisition of employable skills, higher farmer productivity, improved nutrition, lower infant mortality, and slower population growth. The Bank also reports that training programs are not effective in countries with literacy rates lower than 40 percent, and that the highest economic returns on investments, across all development sectors, are for those in basic education.

Notwithstanding the Committee's recommendations on this matter in last year's report accompanying the Foreign Operations bill, negligible progress, if any, has been made in securing a higher percentage of funds for basic education in this account. Therefore, it is the Committee's intent to achieve an allocation of 50 percent of the funds provided under this account to basic education (including funds made available for sub-Saharan Africa), defined as primary and secondary education and adult literacy training. This will be accomplished in 2 years, through an earmark of $42,000,000 in fiscal year 1988, and of 50 percent of the account in fiscal year 1989. Without stipulating precisely how and where these additional basic education resources shall be invested, the Committee does make the following general observations and recommendations by region.

AFRICA

The United Nations has reported 1985 adult literacy rates (percent male/percent female) for the following illustrative countries: Somalia (18/6), Niger (19/9), Burkina Faso (21/6), Mali (23/11), Senegal (37/19), Sierra Leone (38/21), Chad (40/11), Guinea (40/17), Sudan (41/21), and Liberia (47/23). Such low literacy rates, together with the following enrollment and completion rates, suggest that the need in Africa is to develop and improve the basic system beginning at the primary level.

Country	Net primary enrollment rates		Percent of grade 1 completing primary school
	Percent male	Percent female	
Somalia	21	11	33
Sierra Leone	37	26	48
Malawi	50	42	28
Chad	55	21	29
Rwanda	60	47	47
Sudan	59	39	69
Botswana	71	81	73

Approximately 37 percent of the fiscal year 1988 funds requested for education for Africa by the administration was proposed for basic education. This is not an unfavorable percentage of education funds, however this total for education represents only 3 percent of total assistance to Africa. Development assistance [DA] support to elementary education in the last 8 years has ranged from a low of $980,000 in fiscal year 1982 to a high of $11,660,000 in fiscal year 1986 with $6,753,000 requested for fiscal year 1987. The allocation proposed for primary education in fiscal year 1988 for sub-Saharan Africa, including additional money formerly available from Economic Support Funds [ESF], is $5,814,000. The administration has proposed to restrict the availability of education assistance for Africa in fiscal year 1988 to just three countries; Botswana, Cameroon, and Liberia.

The only DA request for basic education in the fiscal year 1988 request for Africa is $3,000,000 for the Botswana secondary education improvement project. This effort was formerly funded by ESF and is the only AID investment in African secondary education since fiscal year 1980. Since fiscal year 1984, adult and community literacy training support has concentrated on Lesotho ($4,100,000 for fiscal year 1988) but will be modestly expanded in fiscal year 1988 to include Liberia ($500,000), Malawi ($1,485,000) and South Africa ($1,500,000).

It is the Committee's recommendation that efforts to improve primary school management and planning, as well as instructional quality, should be given high priority in Africa, especially in countries with literacy rates lower than 40 percent.

ASIA AND NEAR EAST

The United Nations 1985 adult literacy rates (percent male/percent female) for selected countries are as follows; Yemen (27/3), Afghanistan (39/8), Nepal (39/12), Pakistan (40/19), Bangladesh (43/22), India (57/29), and Egypt (59/30). The following table reflects the need to expand access to primary education, especially for females, and to improve the quality of instruction in schools.

Country	Net primary enrollment rates: Percent male	Net primary enrollment rates: Percent female	Percent of grade 1 completing primary school
Afghanistan	16	8	54
Bangladesh	60	50	20
Nepal	100	41	27
Pakistan	63	32	35
Yemen A.R	37	17	15

Approximately 14 percent of the fiscal year 1988 funds requested for education in the Asia and Near East region [ANE] will go to basic education. Since fiscal year 1980, development assistance for primary education has averaged $2,700,000 per year with a high of $6,900,000 in fiscal year 1985. Incredibly and inexplicably, there is no request for additional funding for this purpose in fiscal year 1988. Moreover, there are no projects in the region which focus on secondary education or adult and community literacy activities.

ANE use of Economic Support Funds to support primary education is currently limited to Afghanistan ($3,300,000) and Egypt ($25,000,000).

It is the Committee's recommendation for this region that priority should be given to countries with female enrollment rates lower than 50 percent. The Committee further believes that education resources should be concentrated on promoting access to school for girls and on the development of support services to increase the probability of all children completing the primary cycle. In this regard, the Committee would call attention to the commonsense observation that the enhancement of the role of women in development must begin with the education of little girls.

LATIN AMERICA AND THE CARIBBEAN

The United Nations reported 1985 adult literacy rates in Haiti at 40 percent for males and at 35 percent for females, making Haiti the region's only country with literacy rates under 40 percent. However, several countries have primary enrollment rates lower than 80 percent (percent M/percent F): Haiti (42/38), Guatemala (63/56), and Bolivia (82/72).

With few exceptions, the education infrastructure for basic education in the Latin American region already exists. Throughout the region, two key problems are repetition and dropout. The following table illustrates the need to improve the quality of schooling.

Percent of grade 1 completing primary school

Country	
Honduras	27
Bolivia	32
Colombia	37
Guatemala	38
Haiti	45
Paraguay	48
Ecuador	62
El Salvador	68
Peru	70
Dominican Republic	72
Panama	74

Less than 25 percent of the development assistance funds available to Latin American countries for education is being used to support basic education. Over the last 8 years, DA support for primary education has ranged from a low of $2,402,000 in fiscal year 1982 to a high of $21,797,000 in fiscal year 1985 with requests of $13,361,000 and $8,550,000 for fiscal year 1987 and fiscal year 1988 respectively. No DA has been spent on secondary education since fiscal year 1983. Adult literacy activities were last funded in fiscal year 1985 (Guatemala, $700,000). In addition, no ESF has been used to support basic education in the last 8 years.

It is the Committee's sense that allocations to basic education should be increasingly utilized to reduce repetition and dropout in the primary cycle, especially in countries where repetition and/or dropout rates exceed 10 percent. In addition, resources could be profitably used to improve educational management, planning, and monitoring capabilities within the region.

The Committee also wishes to emphasize the central role that higher education plays in development. Well-trained personnel is crucial to carrying out needed research, planning for the allocation of scarce resources, and managing economic growth. However, the Committee notes that higher education systems in many countries, particularly in Africa and South Asia, have been unable to provide this leadership. It is the Committee's belief that several factors inhibit the success of higher education in promoting development in these countries; poor quality of instruction, insufficient cost recovery, inadequate financing, and overemphasis on fields not directly related to economic development. The Committee, therefore, recommends that AID give priority to addressing these problems.

Finally, the Committee is concerned that U.S. investments in education and human resources genuinely contribute to recipient countries' development. The problem of brain drain at all levels must be addressed; high school graduates leaving the rural countryside, college graduates taking jobs in neighboring countries, and long-term participant trainees failing to return to their home countries, where their education was intended to bring the most benefit. The Committee recommends that AID investigate what incentives, if any, could be used to encourage participants of U.S. backed higher education programs in developing countries to remain in their home countries after graduation.

INTERNATIONAL STUDENT EXCHANGE PROGRAM

The International Student Exchange Program, for which Congress has earmarked funding since the fiscal year 1985 supplemental appropriations bill, is recognized as the premier response to the call made by the Kissinger Commission for scholarships in American institutions to counter scholarships provided to Central American youth by the Soviet Union and Cuba.

This program seeks to help disadvantaged youth—primarily from rural areas and among those who would otherwise perhaps not receive such assistance—and brings them to the United States for formal education and an opportunity to experience America. Most of the students participating in this exchange come to junior colleges for 2-year programs, some enrolling in 6-month courses, primarily in vocational education.

This program has been overwhelmingly successful, and, therefore, the Committee recommends that funding earmarked for this program be increased from an fiscal year 1987 level of $6,000,000 to a level of $10,000,000.

MORE RESOURCES NEEDED

The Committee believes that there is a need to look for creative ways in which to expand and enhance our current efforts to develop positive people-to-people relationships with the countries of Central America and the Caribbean through an expansion of scholarship programs.

In an effort to tap additional funding sources and improve cost effectiveness, legislation has been proposed which would establish new financial partnerships between the Federal Government, State governments, the private sector, universities, and community colleges. Involvement by States and local communities will not only broaden the American experience for foreign students, but through the development of a unique revenue-matching process, will provide additional funds. The objective of such a program would be to support scholarships for talented individuals with limited financial resources from those countries pursuant to the Caribbean Basin Recovery Act.

Therefore, the Committee expects the Administrator of AID to allocate an additional $2,000,000 to develop a pilot program for an innovative approach to what has been called scholarship diplomacy. States-sponsored programs would qualify for funds based on the contribution to the program by the State government, institutes of higher learning, and the private sector to match and, therefore, to maximize Federal funds.

GRADUATE SCHOLARSHIP PROGRAM FOR CENTRAL AMERICA

The Committee is aware that potential exists for graduate level training which would be conducted in Central America, and which may offer benefits to the United States in terms of the quality of the program and its costs. The Committee requests that AID explore the feasibility of such a program where scholarships would be provided to qualified students in the countries of Central America with democratically elected governments to enable those students to pursue courses of study in Central America toward graduate degrees from accredited U.S. institutions or degrees which would otherwise be recognized in the United States. The Committee believes that this program would merit AID assistance of approximately $1,500,000.

CENTER FOR INTER-AMERICAN LEADERSHIP

The Committee is aware of the innovative proposal by the Consortium for Service to Latin America to establish a Center for Inter-American Leadership to acquaint future leaders of the Caribbean Basin with the American democratic system and the role private enterprise plays in this system. Under this 5-year proposal, 1,000 Caribbean Basin students attending colleges and universities in the United States will receive full scholarships to attend 1 month democracy/leadership seminars during winter break in their sophomore or junior years. Each participant will be placed with a transnational company in the United States the following summer for summer traineeships. The Committee is impressed by the cooperation between the public and private sectors underlying this proposal and believes that it has the potential for developing a broad network of Pan American leaders with experience in the American system consistent with the recommendations of the Kissinger Commission. Therefore, the Committee has earmarked $1,250,000 for the first year of this proposal.

CARIBBEAN LAW INSTITUTE

The Committee has earmarked $1,500,000 under the "Education and human resources development" account for the Caribbean Law Institute. The West Indies Faculty of Law in the Barbados and the Florida State University Law School have established a cooperative education program to help nations in the Caribbean area develop uniform laws such as a Caribbean commercial code. One of the goals of the institute is to revise the commercial code in order that trade between the countries in the West Indies and the United States could be facilitated.

PRIVATE SECTOR, ENVIRONMENT, AND ENERGY

Appropriation, 1987	$193,329,000
Budget request, 1988	148,038,000
House allowance	189,000,000
Committee recommendation	120,709,000

The Committee is recommending $120,709,000 for fiscal year 1988 for the programs authorized by section 106 of the Foreign Assistance Act of 1961. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House-reported level, without the amount transferred by that Committee to sub-Saharan Africa, is $123,000,000.

Projects and program activities funded under this account are designed specifically to: (1) support private enterprise development as well as efforts to reform government policies and institutions; (2) support the activities of private and voluntary organizations and cooperatives; (3) support science and technology efforts; (4) promote human rights and democratic initiatives; and (5) carry out research and technical assistance activities to alleviate energy constraints to development, including the encouragement of private investment in energy infrastructure.

PRIVATE ENTERPRISE

Programs in this account are the main source of funding for AID's efforts to encourage the development of private enterprise and the promotion of competitive markets vital to stimulate and maintain economic growth. Approximately 40 percent of the funds requested for this account in fiscal year 1988 were proposed to be devoted to private enterprise development. This is in addition to the funds for private sector development provided under other development assistance accounts.

A major emphasis of AID's private enterprise initiative is an effort to help the poor majority through the pursuit of macroeconomic policies that positively affect the labor market. Policy reform is used to correct distortions that artificially encourage the substitution of capital for labor. In this respect, developing countries are encouraged to rely upon capital-savings technologies that promote the use of labor-intensive technologies over those that require the scarce commodity of capital or financial resources.

ENERGY PROGRAMS

Inadequate and unreliable supplies of energy are a major constraint to economic growth, limiting potential increases in agricultural output, industrial productivity, transport services and social well-being. In addition, the capital requirements associated with Government investments in energy infrastructure account for a major share of development budgets in most assisted countries.

Funds from this account are a major source of support for the Agency's energy conservation activities and technical assistance efforts designed to expand the role of the private sector in the development and management of energy resources. These efforts complement the policy dialog and private sector initiatives funded from other accounts, providing the necessary foundation of LDC development efforts and increasing the economic viability of their private sectors. AID energy assistance also creates opportunities for U.S. private business by creating markets for energy equipment and technical services.

OFFICE OF ENERGY

The Committee raises again its deep and growing concern over AID's failure to commit adequate resources to address energy problems in the developing countries. With the continuing and increasing disruption of transport through the Persian Gulf, and the consequent threat to oil supplies and effect this would have on oil prices, the Committee again directs AID to restore funding for critically important energy assistance programs.

The Committee must repeat its view that the energy crisis has not abated in the developing countries. Oil imports have remained heavy in many countries, and the lower world oil prices have been offset by worsening terms of trade, currency devaluations, and loss of export income.

The Committee directs AID to fund the Office of Energy at a level not below $10,000,000 in fiscal year 1988. This Office provides the essential leadership within AID for policy dialog, analysis for energy development and assistance needs, integration of energy and agricultural development, small decentralized power systems, energy conservation and alterative energy systems.

The Committee further directs AID to develop a comprehensive plan for expanded energy programs that focus on improving the capacities within developing countries to develop and distribute increased energy supplies to productive end users, particularly rural industry, and agriculture. Such programs should emphasize, where appropriate, the mobilization of the private-sector resources and expertise to meet financial, technical, and managerial needs in addressing energy deficiencies in AID-recipient countries. This plan is to be submitted to the Committee by March 1, 1988.

SUPPORT FOR PRIVATE VOLUNTARY ORGANIZATIONS

AID historically has been a major financier of the international programs of U.S. private voluntary organizations [PVO's] and cooperatives. These programs help AID to support the goal of the Foreign Assistance Act to increase the participation of the rural and urban poor people in their countries' development. In particular, these organizations offer substantial benefits to developing countries in terms of conducting low-cost, rural-based, innovative development programs which complement official development programs. Specifically, they tend to serve the poorest, neediest and most difficult to reach populations in the Third World.

The Committee directs AID to protect private, nonprofit, people-to-people channels of assistance and take Committee reductions from bilateral, government-to-government programs. Private voluntary organizations and cooperatives have greater ability to both reach the poor at less cost and to augment U.S. official assistance with private contributions.

Generally, AID takes the view that PVO funding is as effective in country-to-country programming as through the central Office of Private and Voluntary Cooperative [PVC]. However, the Committee believes centrally funded programs enhance independent people-to-people programs based on worldwide needs. Due to the high cost of AID overseas staff and the burden in overseeing many relatively small PVO activities, AID missions are often inhibited from more fully supporting U.S. PVO's.

Therefore, the Committee encourages AID to strengthen its central PVC Office and to emphasize PVO funding through centrally administered, worldwide grants. The Committee feels that such provision enhances the private-public partnership and further expands the efficiency and effectiveness of U.S. humanitarian and economic assistance programs.

At a minimum, the central PVC Office should be funded at no less than $50,000,000 of the approximately $400,000,000 in AID's total PVO portfolio.

PVO REGISTRATION

At the direction of this Committee, AID has instituted stringent U.S. PVO registration standards. The same standards have been adapted, albeit with weakening modifications, for use by AID missions in registering indigenous PVO's. AID missions have reported about 279 registrations of indigenous PVO's to the central office, but the number of indigenous PVO's receiving AID funding is believed to be considerably higher. Moreover, the registration standards are not as rigorous and may be subject to local pressures. While AID's central office for PVO's reviews the registration of U.S. PVO's, there is no central approval or review process for indigenous PVO's.

The Committee is concerned about reported and potential abuses in the registration and documentation process for indigenous PVO's. In response to this concern, the Committee is recommending approval of a general provision to the bill which requires that all AID-funded PVO's be registered with the Agency. While the Committee might agree that greater flexibility is necessary given different laws, procedures and circumstances in host countries, there needs to be uniform and comparable standards for all PVO's—United States and indigenous. Any changes in the registration standards for indigenous PVO's must be exceptions and the Committee must be informed.

In addition, the Committee directs AID to strengthen its Office of Private and Voluntary Cooperation [PVC] and to direct PVC to review and approve all PVO registrations, United States and indigenous, in order to determine eligibility for AID funding.

COOPERATIVE DEVELOPMENT

The Committee continues to be concerned about AID's support for six U.S. cooperative development organizations which bring self-help, democratic development to low- and moderate-income people in developing countries. Congress has written numerous amendments over the years requiring AID to fully utilize U.S. cooperatives in development assistance programs overseas. The ability of U.S. cooperatives to respond to this mandate is contingent upon central support grants which, at a minimum, should be funded at $4,500,000 in fiscal year 1988.

One of these cooperatives organizations is the 61 million member Credit Union National Association [CUNA], which through its affiliation with the World Council of Credit Unions reaches some 80 million credit union members throughout the World. Modest U.S. Government overseas development support to CUNA over the past 25 years has helped spur the creation of 20,000 member-owned and controlled developing country credit unions whose 7.8 million members have accumulated savings of $2,600,000,000. In 1986, these local savings provided the means for credit unions in developing countries to issue $2,200,000,000 in loans to low- and moderate-income members, adding substantially to the resources available to meet the development challenges which they faced. AID utilization of its resources to attain such leveraging of local resources through credit unions is to be commended and should be given increased emphasis in AID's country and regional programs in fiscal year 1988.

CARIBBEAN RURAL ELECTRIFICATION

The Committee is aware of the importance of rural electrification in the development process. In Central America, studies have noted that the absence of electricity in rural areas has been a significant constraining factor in the growth of off-farm employment and agricultural production. Successful electrification programs financed by the United States and other donors in Asia demonstrate the employment and production benefits that can be derived from such programs. Therefore, the Committee has earmarked $1,500,000 to fund rural electrification activities in the eastern Caribbean.

CENTRAL AMERICA RURAL ELECTRIFICATION

The Committee bill earmarks $5,000,000 for Central America rural electrification support. This is the second consecutive year in which the Committee has provided an earmarking of funding for this purpose.

FLINT RIVER VILLAGE, JAMAICA

The Committee is aware of a new rural redevelopment project that has been proposed for the Hopewell area of Jamaica. The Committee is impressed with the initial plans for this development, including the very favorable ratio of public to private sector investment. The Committee also notes that this project could provide over 4,000 new jobs and would bring the largest U.S. private sector investment in the CBI region since the enactment of the Caribbean Basin Initiative in 1983.

The Committee urges AID to examine all appropriate technical reports and construction plans which bear on the economic viability of this private sector development, with a view toward recommending appropriate infrastructure funding levels for fiscal year 1989 or for supplemental fiscal year 1988 funding if a request is made for any additional foreign assistance during fiscal year 1988.

Any possible future funding for this proposal would, of course, be dependent in part on the successful resolution of the other issues concerning investment in Jamaica which are discussed elsewhere in this report.

CARIBBEAN BASIN PROMOTION CENTER

Given the proven cost effectiveness and success of the Caribbean Basin Promotion Center of the Chicago Association of Commerce and Industry, the Committee recommends to the Agency for International Development that it provide for the continuation and expansion of this program.

SCIENCE AND TECHNOLOGY

Appropriation, 1987	$9,661,500
Budget request, 1988	14,662,000
House allowance	9,468,270
Committee recommendation	7,662,270

The Committee's report accompanying its fiscal year 1987 appropriations bill noted the Committee's concern with the relationship between AID and the National Academy of Sciences [NAS], and the failure of the NAS to provide its own resources in support of the collaborative research program funded by AID. The Committee, at that time, stated its intent to support future funding for the NAS contract only if the academy matched the dollars provided by AID.

The Committee recognizes that efforts have been made to secure such matching funds, but these efforts have fallen short. There is merit, we believe to continuing the relationship between AID and the NAS, but only if NAS is able to demonstrate that it has the support of private funding sources.

Additionally, the Committee is concerned that a research data base system, IDRIS, designed in part under the auspices of the NAS, is not being fully utilized by AID despite the funding provided to NAS under the science and technology contract.

Therefore, the Committee directs that no more than $2,000,000 of the funds appropriated under this heading for fiscal year 1988 may be made available for funding of the collaborative research contract with the NAS. This level may only be exceeded if AID is provided full participation in IDRIS and only if such additional AID funding is matched by funds provided by the academy.

In making these reductions the Committee is very much aware of the failure of the Senior Assistant Administrator for science and technology to appear before this Committee to testify in support of the administration's fiscal year 1988 budget request. AID was advised well in advance of the Committee's hearing schedule, making the failure of this senior AID official to appear and defend his program unacceptable to the Committee. The Committee expects that circumstances will be different when hearings are conducted on the fiscal year 1989 request.

MICRO ENTERPRISE LENDING TO THE POOR

The Committee has earmarked $50,000,000 from the funds appropriated by this act to carry out part I and chapter 4 of part II of the Foreign Assistance Act of 1961, or local currency which may accrue as a result of assistance provided under this act and under the Agricultural Trade Development and Assistance Act of 1954, for the Micro Enterprise Lending for the Poor Program to promote microenterprises in developing countries through provision of credit and other assistance as necessary.

The Committee finds that—

(1) The health of national economies and democratic institutions is vastly improved when opportunities for the poor to participate in the economies of their countries are actively promoted and expanded.

(2) The inability of microenterprises to obtain credit to finance their economic activities has been, among other reasons, an inhibiting factor in the growth of the private commercial sector of developing countries and has, as a consequence, contributed to the continuation of significant levels of underemployment and unemployment in those countries.

The Administrator of the Agency for International Development is directed to make assistance available to indigenous nongovernmental organizations, U.S.-based private voluntary organizations, and other financial intermediaries to enable them to provide loans and related assistance to microenterprises, including the costs associated with developing an indigenous capability to administer such a credit program.

The Administrator shall appoint an advisory committee composed of individuals from nongovernmental organizations who have experience in the implementation of microenterprise credit projects in developing countries to assist the Administrator in developing the guidelines for financial intermediaries. Such advice would include guidelines for cooperative and group loans.

Eighty percent of the loans in this program should be targeted to the enterprises owned and operated by the poorest 20 percent of the population in most AID-assisted developing countries, and the poorest 50 percent in the least developed AID-assisted countries. In all cases, special emphasis should be placed on businesses owned by women.

Notwithstanding that there are major differences in entrepreneurial needs in different developing countries, the Committee directs that loan size not exceed $300 (initial loans being $150 or less), unless extraordinary circumstances require exceeding the loan size limit in order to accomplish the objectives of this program.

The specific objective of this program is to provide credit and credit-related assistance to the very poorest people in developing countries so that they may improve their lives by their own efforts. The Committee wishes to give emphasis to the rapid implementation of projects and programs of microenterprise lending. Accordingly, the Committee expects the Administrator of the Agency for International Development to report to the Committee on the Agency's plans and proposals for implementation of this program no later than March 31, 1988.

SUB-SAHARAN AFRICA, DEVELOPMENT ASSISTANCE

Appropriation, 1987	
Budget request, 1988	$500,000,000
House allowance	(450,000,000)
Committee recommendation	500,000,000

Last year's foreign assistance appropriations bill as reported by this Committee contained a provision which would have enabled the administration to use authorities contained in S. 2208, the African Famine Relief and Recovery Fund Act, which had been introduced on March 19, 1986. The Committee made that recommendation because it was clear at the time that the authorization process would not have allowed consideration of this legislation, and, therefore, the only method to secure enactment was through appropriations legislation. Even then, the Committee suggested 1-year authority so that time could be given for extensive review by the appropriate committees.

The Africa fund provision was removed from last year's appropriations legislation because of objections raised by the authorizing committee, and with assurances that the authorizing committee would consider such legislation at its earliest opportunity in 1987. While the authorizing committee has, indeed, lived up to its commitment and the legislation it has reported contains provisions similar to those in S. 2208, the reported legislation has not been considered by the full Senate, and it is unlikely that any action will occur during this session of Congress. In addition to the action taken by the Senate Foreign Relations Committee, the administration also signaled its support of the concept of special assistance for Africa when it suggested a fund for Africa in its fiscal year 1988 budget document.

The legislation reported by the Senate Foreign Relations Committee, the administration's fiscal year 1988 proposal, and S. 2208 of last year all have contained common elements. These include: (1) a permanent fund to be established within AID for long-term assistance in Africa; (2) current authorization language strengthened and expanded making implementation of AID programs in Africa more flexible than elsewhere; (3) the role of voluntary agencies and international organizations are emphasized, giving them authority to utilize the fund; and (4) proposed legislative initiatives would require steps to achieve better international cooperation and coordination of African aid programs.

The Committee is including bill language which established this fund as suggested in the original legislation and very similar to the action taken in the bill reported by the House Committee.

The Committee recommends $500,000,000 for development assistance to sub-Saharan Africa for fiscal year 1988. In recognition of the close link of the achievement of specific development objectives to the successful implementation of macroeconomic policy reform, funds made available under this section may be used for any of the purposes for which development assistance can be used, and for macroeconomic policy reform in support of development objectives.

The Committee recognizes that a major reason for poverty in Africa has been the adoption of African governments of inappropriate economic policies at both the macroeconomic and sectoral level. These policy problems have been recognized by the African governments themselves as evidenced at the United Nations special session on Africa in June 1986. Currently, 28 African countries are engaged in formal structural adjustment programs which have resulted in exchange rate depreciation, reduced subsidies, and improved price incentives for farmers.

The Committee finds that the macroeconomic framework has a direct and important effect on poverty and the quality of life among Africa's poor. For example, overvalued exchange rates reduce returns to agricultural production and have a direct impact on incomes to small holders. Exchange rate devaluations, coupled with sectoral reforms in agricultural marketing have led to dramatic increases in agricultural production and incomes in countries such as Ghana, where cocoa production has increased by 44.7 percent between 1983–84 and 1986–87, and yields increased by 25 percent; the Zambia, where agricultural income has increased by 8.9 percent in 1 year; and in Somalia, where agricultural income has increased by 162 percent between 1981 and 1985.

Macroeconomic policy also affects other objectives of the Foreign Assistance Act, particularly the growth of productive employment and protection of the natural resource base. For example, an overvalued exchange rate in Sudan has reduced the profitability of tapping gum arabic trees to such a level that farmers are cutting down the trees which have provided cash incomes for generations, and are using the wood for charcoal, thus creating a deforestation problem. On the other hand, devaluation in Zambia led to a perceptible shift in only 1 year, from the use of tractors to the use of more labor-intensive animal traction.

The Committee recognizes that meeting the objectives of the Foreign Assistance Act requires AID to be active on macroeconomic, sectoral, and project levels. Policy reforms by themselves are not sufficient to bring about sustainable growth and the eradication of proverty, but must be accompanied by a series of project interventions aimed at improving the institutional capacity, the human resource base, and the ability to adopt new and more beneficial technologies.

At the same time, the Committee recognizes that development projects cannot be successful or sustainable in an economic environment which does not encourage domestic resource mobilization and an efficient allocation of these resources. The right mix of macroeconomic reform, sectoral reform, and project activities will depend on the economic situation of the recipient country, the role of other donors, and the size and breadth of the AID program.

The Committee does not earmark funds for particular uses. However, it is the Committee's understanding that AID will continue to provide significant amounts of project assistance for development purposes. In this regard, it is the Committee's expectation that AID will set, as a target, the obligation of at least the equivalent of 10 percent of the funds appropriated by this provision for sub-Saharan Africa for activities in the following sectors: (1) maintenance of the natural resource base, including agricultural activities which directly support this purpose; (2) improvements in health conditions, with special emphasis on the needs and education of mothers and children, and; (3) voluntary family planning.

By establishing a target of at least 10 percent for each of these sectors, the Committee encourages AID to use resources available from the separate sub-Saharan Africa account and its centrally funded programs in order to achieve these levels of assistance.

In this regard, the Committee believes that critical to effective long-term development is the support and development of indigenous institutions, especially agricultural education institutions, to train and educate Africans to address their own problems, thereby improving food production. In programming these funds, the Committee expects AID to support programs which would strengthen and develop such educational institutions, in consultation with the Board for Food and Agricultrual Development.

It is the Committee's intent that provisions of law that make specific reference to the development sections of the Foreign Assistance Act shall apply to the sub-Saharan Africa, development assistance account as well. Thus, provisions of law that make reference to any one or all of sections 103 through 106, section 121, or chapter 1 of part I of the Foreign Assistance Act will apply to funds made available from this appropriation account. For example, section 105 of that act designates funding for assisting victims of apartheid in South Africa. Funding for such activities would be derived from the ESF and sub-Saharan Africa accounts rather than the ESF and education and human resources development assistance accounts.

CAPE VERDE

The Committee is concerned over the plight of the Republic of Cape Verde, one of the poorest countries in the World, which has been an unintended victim of the Comprehensive Anti-Apartheid Act. Cape Verde has suffered severely as a result of legislatively imposed sanctions directed against United States-South Africa air links in October 1986. United States sanctions affected approximately 400 annual flights transiting at Sal, Cape Verde. The direct annual losses sustained by Cape Verde as a result are approximately $6,700,000 out of an economy whose total GNP is $80,000,000. Realizing the strict budgetary constraints under which the administration is operating, the Committee nonetheless urges the administration to make every effort possible to alleviate the economic pressures on Cape Verde.

WINDMILL TECHNOLOGY

The Committee has consistently supported the concept of the transfer of appropriate technology as a valuable tool in the development process. Particularly in the close interrelationship between increased agricultural production and protection of the natural resource base, the use of small-scale irrigation technology, such as high-performance water-pumping windmills, may have potential for fostering increased food production without damaging the environment. This is of obvious significance in sub-Saharan Africa in light of the fragile ecological structure found in large parts of the continent. Therefore, the Committee requests that AID explore the feasibility of the use of such windmills as an instrument for promoting agricultural development in sub-Saharan Africa, as well as the feasibility of their local manufacture and maintenance.

SOUTHERN AFRICA, DEVELOPMENT ASSISTANCE

Appropriation, 1987	
Budget request, 1988	
House allowance	($50,000,000)
Committee recommendation	30,000,000

The Committee is recommending the appropriation of $30,000,000 in development assistance funds to be used for the member States of the Southern Africa Development Coordination Conference [SADCC]. This assistance is to be used to carry out urgent sector activities supported by SADCC, and is consistent with the actions the Congress took in the Fiscal Year 1987 Supplemental Appropriations Act. In this act, $37,500,000 was provided to AID's section 106 account for this purpose.

The economies of SADCC member countries are influenced largely by their proximity to South Africa. The region depends heavily on South Africa's rail, road, and port systems for the shipment of internationally traded goods, particularly consumer items. For eight of these countries, South Africa provides the outlet for 25 percent to 100 percent of their export trade. Angola has not served as an export route since 1975, and trade through Mozambique is threatened by civil disruptions.

The region faces other problems. Population growth continues to outstrip increases in food production. The region will need to double food output over the next two decades just to keep up with projected population growth. Job creation is another issue, with many countries depending on remittances from their nationals who are employed in South Africa. Political or economic disruptions in South Africa will continue to have a significant ripple effect in the SADCC region.

As a result of these factors, the nine states of southern Africa formed the Southern Africa Development Coordination Conference in 1980 with the goals of coordinating regional development and reducing their economic dependence on South Africa. To avoid excessive management, SADCC devised a decentralized system of regional planning and coordination, with each member country being assigned responsibility for a particular development sector.

The Committee's action in this bill is supportive of the SADCC effort and the priorities that SADCC has established for itself to enable achievement of its goals. From the outset, SADCC pressed for the establishment of transport outlets independent of South Africa as a priority goal. Several alternative transportation routes were identified for support, and SADCC member States and donors have contributed approximately $700,000,000 toward the rehabilitation of these transportation corridors.

To fill a need for trained people in the agricultural sector, SADCC made the improvement of agricultural research systems in the region another major priority. In the realization that regional cooperation will be necessary if food security for all the countries in the region is to be achieved, SADCC has initiated a major regional food security strategy. Initiatives also are being undertaken in other sectors, including the promotion of intraregional trade, to make better use of the region's natural resources and labor force.

The Committee is supportive of the efforts being made by the SADCC countries in their efforts to achieve a measure of economic independence from South Africa.

PRIVATE SECTOR REVOLVING FUND

(BY TRANSFER)

Fiscal year 1987 level	($15,533,000)
Fiscal year 1988 request	(12,000,000)
House allowance	(12,000,000)
Committee recommendation	(4,000,000)

The purpose of the Private Sector Revolving Fund is to promote economic development by encouraging the growth of the private sector in developing countries. The basic rationale for this program is that the development of private enterprise in developing countries is vital to their economic growth and to the development of a stable, free, and equitable international economic climate.

Projects funded by the revolving fund involve cofinancing by private entities amounting to 50 percent or more of the project risk. In a typical revolving fund transaction, AID will enter into an agreement with a local lending bank, (for example, the Philippine Farmers Bank) where AID will assume 20 to 50 percent of the risk of the bank's loss on loans to small or microbusiness on the condition that the local bank adjust its lending practices to give this class of private enterprise access to credit.

The Committee is not recommending the full amount requested by the administration for transfer into the revolving fund. It remains concerned that AID's management of the fund has only recently taken steps to incorporate sound financial management practices in its oversight of the fund's operations. The Committee directs the management of this program to report on why it has taken the Agency this long to establish these procedures.

Moreover, the Committee notes that AID's own cash flow projections indicate a high level of deobligations for fiscal year 1988. The Committee is concerned that this may be as much a reflection of the management of the program as it is of the experimental nature of many of the activities being funded.

In any case, internal AID documents indicate that AID requires no more than $4,000,000 in additional funds transfers to finance its proposed fiscal year 1988 program.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Appropriation, 1987	$35,000,000
Budget request, 1988	10,800,000
House allowance	34,300,000
Committee recommendation	40,000,000

The American Schools and Hospitals Abroad [ASHA] Program provides grants to institutions overseas sponsored by U.S. citizens or organizations. The assistance provided by this program is intended as a supplement to their regular funding, and grants are awarded under specific criteria.

The Committee's recommendation for the ASHA Program reflects the almost universally high regard in which its activities are held. Unfortunately, overall budget constraints limit the Committee's ability to provide funding for the program at a level which would allow funding of all of the grant proposals submitted for the programs' consideration. Traditionally, the ASHA Program has received many more requests for funding than it has been able to fulfill. In this regard, however, the Committee is disturbed that requests for ASHA funding are at times at variance with the programs' selection criteria, thus raising the possibility that the original aims of the legislation which created ASHA are being diluted. The result has been that legitimately qualified institutions have been, in effect, penalized as a result of funding provided to organizations which may not fully comply with the programs' stated criteria.

As early as 1979, this Committee was concerned that pressure for ASHA grants would lead to funding for activities not wholly consistent with the intent of section 214 of the Foreign Assistance Act, the provision of law authorizing this program. For this reason, with the Committee's guidance, AID developed and published program criteria to ensure that only those proposals consistent with section 214 would receive ASHA funding. These criteria were printed in the Committee's report accompanying the fiscal year 1980 appropriations bill as a reminder to both Members and the public as to the basis for awarding ASHA grants. The Committee feels that the increased demand for the program to fund proposals which do not fully comply with these criteria make it advisable to reprint in its entirety the published selection criteria to once again attempt to ensure that the purposes of the program are not diluted.

PROGRAM CRITERIA

Pursuant to section 214 of the Foreign Assistance Act of 1961, as amended, grant assistance is made available to selected schools, libraries, and hospitals overseas founded or sponsored by U.S. citizens and serving as study and demonstration centers for ideas and practices of the United States and as centers for medical education and research. Grants made under this program help such institutions demonstrate to people overseas the achievements of the United States in education and medicine.

In evaluating requests for assistance AID will apply the following criteria:

One, the applicant should be a nonprofit U.S. organization which either founded or sponsors the institution for which assistance is sought. Preferably, the applicant should be tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1954.

The applicant must demonstate a continuing supportive relationship with the institution. Evidence of this would be the provision of financial and management support for the institution.

Two, an instruction program must serve the secondary or higher level and must reflect American educational ideas and practice (education at the elementary school level will not be supported).

A school offering a broad-based academic program must include instruction on the history, geography, political science, cultural institutions or economics of the United States. English should be used in instruction or taught as a second language. However, the foregoing subject matter and language requirements need not apply to a school offering a specialized course of study.

Three, institutions are expected to reflect favorably upon and to increase understanding of the United States.

Four, a hospital center, in addition to being a treatment facility, must be involved in medical education and research.

Programs for postgraduate training of staff in the United States and programs for the exchange of personnel with American institutions will be regarded as evidence of ability to demonstrate American ideas and practices in medicine.

Five, the faculty and staff of a school or a hospital center should include a significant number of U.S. citizens or other persons trained in U.S. institutions who are in residence and teaching at the school or hospital center on either a full-time or part-time basis.

Six, the majority of the users of any institutions, for example, students or patients, must be citizens of countries other than the United States.

Seven, an existing institution must demonstate competence in professional skills and must exhibit sound management and financial practices. An applicant for a new institution must demonstrate the ability to achieve professional competence and to operate in accordance with sound management and financial practices.

Eight, the institution must be open to all persons regardless of race, religion, sex, color, or national origin. (The above shall not be construed to require enrollment of students of both sexes at an educational institution enrolling boys or girls only.) Assistance may not be used to train persons for religious pursuits or to construct building or other facilities intended for worship or religious instruction.

Nine, the institution must be located outside the United States and should not be under the control or management of a government or any of its agencies. The receipt of financial or other assistance from a government or government agency or the observance of national educational or medical standards required by the country where the institution is located does not in itself mean that the institution is under the control or management of such government.

Ten, an applicant requesting capital construction assistance must provide information sufficient to permit a firm estimate of the total cost to the U.S. Government of the construction for which assistance is requested. Such an applicant must also provide information and assurances with respect to rights to the land on which construction is planned.

Eleven, to help achieve the objectives of the Foreign Assistance Act and ensure that the American Schools and Hospitals Abroad Program is as geographically balanced as possible, special consideration will be given to applications for institutions which increase the geographic distribution of the program and contribute to the economic and social progress of areas that are the focus of AID's development efforts.

AMERICAN UNIVERSITY OF BEIRUT

The Committee has historically been a strong supporter of the work of the American University of Beirut [AUB] as an institution which has cultivated a respect for the American ideal of free, independent thought and which has provided essential medical care to the Lebanese people. The broad support that AUB has enjoyed throughout the Middle East has made it an asset for promoting understanding between the United States and the Arab world. For this reason, the Committee expects that in fiscal year 1988 AUB will support from the ASHA account at least equal to the assistance it received in fiscal year 1987. The Committee also notes its support for the administration's ESF request for AUB of $2,000,000. In addition, the Committee recommends that unexpended amounts of funds previously obligated for AUB under the Regional Scholarship Program be deobligated and reobligated for AUB for general support. The Committee also expects that some portion of the funds remaining from the fiscal year 1983 supplemental appropriation for Lebanon will be used for assistance for AUB in fiscal year 1988 and fiscal year 1989.

While the Committee is providing this significant level of support for AUB in a particularly tight U.S. budget climate, the Committee is becoming increasingly concerned over AUB's ability to continue as an independent institution promoting American ideals of freedom of thought and conscience. In particular, the Committee has been informed that during the past year no U.S. Government official has been on the AUB campus to review the activities of the university. The Committee has further been informed that the AUB administration may have been constrained to yield to political pressure to hire Shiite professors and raise the grades of Shiite students, thereby threatening the intellectual integrity of the institution. There are even reports that various factions in Lebanon's civil war may be using the university as a place to store weapons.

The Committee is concerned that these events may indicate that the character of the university has changed, perhaps irreversably. No longer does AUB have a faculty drawing from the United States and a broad spectrum of Middle Eastern States. Once, one-third of the university's 450-member faculty were foreigners; now only 10 foreign teachers remain. The university's character as an oasis of knowledge and enlightenment appears to be threatened by increased politicization of its faculty and its program.

As part of its examination of the administration's fiscal year 1989 request, the Committee intends to undertake a very complete review of the AUB program, both from the standpoint of its financial management and the alleged politicization of the university. Such an examination would also include a review of the level of contributions to AUB being made by its Middle Eastern alumni. It is with some measure of saddness that the Committee must voice the concern that circumstances in Lebanon may not allow for continuing the level of support for the university that the Committee has provided in the past. With increasing budgetary pressures on the Congress, and with the ASHA Program continuing to receive numerous applications for grants which it is unable to fund, the Committee believes that a detailed examination of the AUB program, which receives a significant portion of the ASHA account, is warranted.

BEIRUT UNIVERSITY COLLEGE

Beirut University College [BUC] is another university in Lebanon which is affected by the political situation in that country. Without passing any judgment on the merits of its application for assistance under the ASHA Program, the Committee is concerned that several of the issues raised with regard to AUB may apply equally as well to BUC. A similar examination of BUC's program will also be undertaken by the Committee as part of its examination of the administration's fiscal year 1989 budget request.

SCHUTZ AMERICAN SCHOOL

For over 60 years, the Schutz American School in Alexandria, Egypt has served as an outstanding model of American education for children in the Middle East. As the oldest American secondary school in the region, it has an impeccable reputation for quality teaching and learning.

The Committee is aware of an opportunity for ASHA to assist the school in establishing two new innovative academic centers—a Center for Arabic Studies and a Computer Training Center—which would be the first such high school programs in the area. The Committee encourages ASHA to provide support for this very worthwhile project.

ISRAELI CHILDREN'S HOSPITAL

The development of children's hospitals throughout the United States over the last decade has resulted in significant advances in pediatric medicine. The Committee strongly supports the provision of assistance under the ASHA Program aimed at assisting in the creation of a children's hospital in Israel, a country which has sufficient technical resources to support high standard tertiary pediatric medicine, notwithstanding AID's preference toward support of only preexisting institutions. In this regard, the Committee is informed that, in order to address one of AID's reservations on the qualifications of the hospital to receive an ASHA grant, the hospital's administration has been modified to remove numerous aspects of Israeli participation and control.

FEINBERG GRADUATE SCHOOL

The Feinberg Graduate School of the Weizmann Institute of Science is recognized as the leading organization of its kind in Israel. Its established reputation in Israel is complemented by the strong and effective leadership of its Board of Trustees. Therefore, the graduate school has previously received funding from the ASHA Program, and the Committee strongly encourages AID to favorably consider the school's application for grant assistance for fiscal year 1988.

AMERICAN UNIVERSITY IN CAIRO

The Committee welcomes the efforts of the American University of Cairo [AUC] in taking significant steps toward achieving self-sufficiency. The Committee understands that AUC has successfully completed a $22,000,000 endowment fund campaign, with major contributions being made by AUC alumni. The university continues to be perceived throughout the Middle East as representing the best in American values. The ASHA Program's continued support of AUC represents both a financial and political commitment which is critical to the continued success of the university. Therefore, the Committee strongly recommends that AID give favorable consideration to the university's fiscal year 1988 grant request.

INTERNATIONAL SCHOOL OF AGRICULTURE, HEBREW UNIVERSITY

The International School of Agriculture of the Hebrew University was established as a means of sharing Israeli agricultural expertise and experience with developing countries through extensive programs of research, experimentation, and technology transfer. The Committee has been informed that the school's director of research and director of communications are both Americans, and that most faculty members have close ties with American institutions and professional organizations. Especially in light of the contribution the school can make toward the alleviation of chronic food shortages in developing countries, especially in Africa, the Committee expresses its strong support for the university and favorable consideration of its request for ASHA funding for fiscal year 1988.

FUDAN FOUNDATION

The Fudan Foundation, established to promote improved relations between the United States and China, is currently providing support for two new academic centers at Fudan University in Shanghai—a Center for American Studies and the Thomas H. Morgan Science Center. These centers present a unique opportunity for Chinese scholars to study American culture, history, literature, and science in their own country with instruction by American scholars. The foundation was a recipient of an ASHA grant in fiscal year 1987 and it is hoped that AID, despite the considerable constraints on the ASHA account, will look favorably on the foundation's $3,500,000 proposal for fiscal year 1988.

PROJECT ORBIS

Over the years, the Committee has been a strong supporter of the work of Project ORBIS in training opthalmologists around the world in new sight saving skills. During the past 5 years, Project ORBIS has completed 75 missions in 48 countries, and has proven effective in providing continuing medical education, initiating legislative reforms concerning donor organs, and creating an awareness of blindness on the part of heads of state, the local medical community, and other political and social leaders. The Committee continues to believe that the work of Project ORBIS merits the strong support of the ASHA Program.

CHILDREN

A major concern of this Committee has been and continues to be the plight of the world's children in a time of seemingly increasing civil unrest and economic uncertainty. It is a cruel irony that the effects of war, malnutrition, disease, and natural disaster are most severely visited on those least able to hear their consequences. This Committee has been in the forefront of promoting immunization programs, oral rehydration therapy, family planning techniques and other means to help children in the developing world. Indeed, much of the benefits of our economic assistance programs generally will be felt by children.

The plight of homeless children and those children who are mentally and physically impaired is of particular concern. The Committee is aware of institutions which are established to provide assistance for such children. However, the Committee is all too aware of the budget constraints it will be facing in the immediate future to address other significant development and humanitarian concerns. Therefore, in light of the potential cost of such a program, the Committee would like the views of AID on the feasibility, both from a programmatic and budgetary standpoint, of revising ASHA eligibility criteria to permit institutions which provide shelter for homeless children or which help those children who are mentally and physically impaired to compete for ASHA grants. The Committee requests that this report be submitted by April 1, 1988.

The following is a summary of requests made by institutions to the American Schools and Hospitals Abroad Program for fiscal years 1986 and 1987 and grants made by AID in fiscal years 1985 and 1986 and a summary of aid given to recipient institutions for fiscal years 1959–87.

AMERICAN SCHOOLS AND HOSPITALS ABROAD
Requests by Institutions for FYs 1986 and 1987
Grants for FY 1985, FY 1986 and FY 1987

INSTITUTION AND LOCATION	FY 1985 GRANTS	FY 1986 REQUESTS	FY 1986 GRANTS	FY 1987 REQUESTS	FY 1987 GRANTS
Botswana					
Kanye Hospital, Kanye	-	995,800	800,000	-	-
Maru a Pula School, Gaborone	425,000	-	-	-	-
SUBTOTAL, BOTSWANA	425,000	995,800	800,000	-	-
Brazil					
Esperanca, Santarem	-	192,000	192,000	293,468	250,000
Cameroon					
Central Hospital D'Enongal, Enongal	325,000	-	-	867,000	325,000
China					
American Medical Center, Shanghai	-	-	-	1,000,000	1,000,000
Centers for American Studies and Life Sciences, Shanghai	-	-	-	2,000,000	2,000,000
SUBTOTAL, CHINA	-	-	-	3,000,000	3,000,000
Ecuador					
Cotopaxi Academy, Quito	-	-	-	1,250,000	500,000
Hospital Vozandes, Quito	-	-	-	960,352	-
SUBTOTAL, ECUADOR	-	-	-	2,210,352	500,000
Egypt					
American University in Cairo	1,850,000	2,900,000	1,750,000	1,450,000	650,000
College of the Holy Family, Cairo	400,000	-	-	-	-
Ramses College for Girls	-	-	-	1,350,000	-
SUBTOTAL, EGYPT	2,250,000	2,900,000	1,750,000	2,800,000	650,000
Federated States of Micronesia					
Xavier High School, Truk	-	626,000	600,000	-	-
Fiji					
Medical Center for the South Pacific, Suva	-	-	-	5,200,000	-

INSTITUTION AND LOCATION	FY 1985	FY 1986		FY 1987	
	GRANTS	REQUESTS	GRANTS	REQUESTS	GRANTS
Greece					
American College of Greece, Athens	-	1,250,000	500,000	-	-
American Farm School, Thessaloniki	475,000	360,000	-	-	-
Anatolia College, Thessaloniki	600,000	1,078,700	200,000	-	-
Athens College, Athens	-	492,369	-	621,145	350,000
Blegen and Gennadus Libraries, Athens	-	-	-	1,382,581	450,000
SUBTOTAL, GREECE	1,075,000	3,181,069	700,000	2,003,726	800,000
Guatemala					
Francisco Marroquin University, Guatemala City	-	2,500,000	1,900,000	3,821,000	1,400,000
Hospital de la Familia, Nuevo Progresso	-	-	-	250,000	200,000
University of the Valley, Guatemala City	850,000	1,272,500	600,000	1,930,000	600,000
SUBTOTAL, GUATEMALA	850,000	3,772,500	2,500,000	6,001,000	2,200,000
Haiti					
American University of Les Cayes, Les Cayes	-	1,855,000	700,000	3,861,738	900,000
Bohoc Technical Institute, Bohoc	375,000	330,000	330,000	961,570	200,000
Hospital St. Croix, Leogane	300,000	605,000	355,000	285,000	200,000
SUBTOTAL, HAITI	675,000	2,790,000	1,385,000	5,108,308	1,300,000
Honduras					
Escuela Internacional Sampedrana, San Pedro Sula	800,000	1,115,540	200,000	-	-
Panamerican Agricultural School, Zamorano	1,700,000	4,350,000	1,443,000	2,550,000	1,000,000
SUBTOTAL, HONDURAS	2,500,000	5,465,540	1,643,000	2,550,000	1,000,000
India					
Indo-American Hospital, Hyderabad	-	3,000,000	-	-	-
Kodaikanal School, Tamil Nadu	300,000	-	-	-	-
Ludhiana Christian Med. College & Hosp., Punjab	500,000	500,000	500,000	-	-
Vellore Christian Med. College & Hosp., Vellore	500,000	985,740	450,000	1,575,010	700,000
Wanless Hospital of Miraj Medical Center, Miraj	-	-	-	860,000	-
Woodstock School, Mussoorie	110,000	-	-	-	-
SUBTOTAL, INDIA	1,410,000	4,485,740	950,000	2,435,010	700,000
Indonesia					
Petra Christian University, Surabaya	-	-	-	1,435,835	-

INSTITUTION AND LOCATION	FY 1985	FY 1986		FY 1987	
	GRANTS	REQUESTS	GRANTS	REQUESTS	GRANTS
Israel					
American College of Belz, Jerusalem	500,000	-	-	-	-
AMIT Kfar Batya Youth Village, Israel	-	250,000	-	-	-
Bar-Ilan University, Ramat Gan	-	1,850,000	-	-	-
Beth Yaacov Avot Girls High School, Ashdod	-	-	-	970,000	100,000
Boys Town Jerusalem	300,000	1,500,000	-	1,000,000	700,000
Children's Town, Jerusalem	-	1,000,000	500,000	-	-
Educational Center for Galilee, Rechasim (Girls Town, Or Chadash)	-	600,000	-	-	-
Emunah Women of America Community College, Jerusalem	200,000	-	-	-	-
Feinberg Graduate School of the Weizmann Institute of Science, Rehovot	500,000	2,290,000	750,000	1,767,000	1,000,000
Gan Yavne Youth Village, Gan Yavne	150,000	-	-	-	-
Hadassah Medical Center, Jerusalem	1,500,000	4,558,000	1,500,000	3,883,500	1,650,000
Harry S. Truman Research Institute for the Advancement of Peace, Jerusalem	-	300,000	150,000	-	-
Kfar Silver, Ashkelon	-	-	-	1,027,000	-
Laniado Hosnital, Netanya	500,000	-	-	-	-
Machaniam High School, Kiryat Gat	-	628,000	200,000	200,000	200,000
Michlalah Jerusalem College for Women	-	-	-	1,000,000	-
Migdal Ohr School, Migdal Ohr	-	2,090,000	-	-	-
Mother and Baby Hospital, Jerusalem	-	3,000,000	1,250,000	-	-
Music Foundation, Jerusalem	-	241,055	200,000	-	-
Ohr Somayach School, Jerusalem	1,000,000	-	-	1,676,645	1,000,000
Sha'Alvim Teacher's College, D.N.Ayalon	-	3,000,000	400,000	-	-
Shaare Zedek Hospital, Jerusalem	-	2,174,000	500,000	1,511,200	500,000
Yeshivat Kfar Ganim High School, Petach Tikva	-	1,200,000	-	-	-
SUBTOTAL, ISRAEL	4,650,000	24,681,055	5,450,000	13,035,345	5,150,000
Italy					
Bologna Center for Advanced International Studies	350,000	375,000	325,000	375,000	325,000
Jamaica					
St. George's College, Kingston	-	800,000	225,000	-	-
Jordan					
American Center for Oriental Research, Amman	250,000	-	-	-	-

INSTITUTION AND LOCATION	FY 1985 GRANTS	FY 1986 REQUESTS	FY 1986 GRANTS	FY 1987 REQUESTS	FY 1987 GRANTS
Kenya					
Tenwek Hospital, Bomet	-	-	-	543,525	500,000
Korea					
Chung-Ang University, Seoul	-	1,500,000	400,000	1,500,000	-
Kwangju Christian Hospital, Kwangju	-	640,000	-	-	-
Maryknoll Hospital, Seoul	-	-	-	1,500,000	-
Presbyterian Medical Center, Jeonju	400,000	620,000	-	1,100,000	-
Sogang University, Seoul	-	1,076,538	-	782,594	-
Soong Sil (Jun) University, Seoul	900,000	-	-	-	-
SUBTOTAL, KOREA	1,300,000	3,836,538	400,000	4,882,594	-
Lebanon					
American University of Beirut	5,000,000	7,500,000	6,000,000	7,500,000	6,000,000
Beirut University College	350,000	600,000	200,000	400,000	-
International College of Beirut	-	-	-	450,000	-
SUBTOTAL, LEBANON	5,350,000	8,100,000	6,200,000	8,350,000	6,000,000
Liberia					
Cuttington University College, Suacoco	600,000	1,130,000	700,000	935,000	720,000
Malawi					
Malamulo Hospital, Makwasa	700,000	700,000	550,000	-	-
Mexico					
American British Cowdray Hospital, Mexico City	-	2,000,000	1,000,000	1,949,500	-
University of the Americas, Puebla	-	855,525	-	900,000	700,000
SUBTOTAL, MEXICO	-	2,855,525	1,000,000	2,849,500	700,000
Pakistan					
Nancy Fulwood Hospital, Sahiwal	-	722,560	500,000	730,000	-

INSTITUTION AND LOCATION	FY 1985 GRANTS	FY 1986 REQUESTS	FY 1986 GRANTS	FY 1987 REQUESTS	FY 1987 GRANTS
Philippines					
Angeles University, Angeles City	-	757,363	650,000	-	-
Ateneo de Davao University, Davao City	250,000	-	-	-	-
Ateneo de Naga, Naga City	-	-	-	889,000	-
Ateneo de Zamboanga, Zamboanga City	850,000	-	-	-	-
Central Philippine University	-	1,484,956	-	-	-
De La Salle University, Manila	-	-	-	1,305,730	-
La Salle College, Bacalod	-	-	-	273,215	250,000
Northern Christian College, Laoag City	-	-	-	1,250,100	-
Notre Dame of Marbel, Konndal	-	-	-	1,553,717	950,000
Notre Dame University, Cotabato City	-	1,276,956	-	1,276,956	850,000
St. Luke's Medical Center, Manila	-	-	-	1,500,000	-
Trinity College, Manila	-	-	-	1,330,000	-
Wesleyan University	-	371,026	-	-	-
SUBTOTAL, PHILIPPINES	1,100,000	3,890,301	650,000	9,378,718	2,050,000
Poland					
American Children's Hospital, Krakow	250,000	701,886	325,000	730,000	400,000
Sri Lanka					
Eastern Technical Institute, Batticaloa	-	-	-	130,000	130,000
Taiwan					
Taiwan Adventist Hospital	-	-	-	756,505	-
Thailand					
Bangkok Adventist Hospital	700,000	-	-	400,000	300,000
Lampang College of Commerce and Technology	-	1,013,412	850,000	1,154,000	750,000
Payap College, Chiang Mai	-	920,000	-	1,972,000	-
SUBTOTAL, THAILAND	700,000	1,933,412	850,000	3,526,000	1,050,000
Turkey					
Admiral Bristol Hospital, Istanbul	650,000	1,705,000	725,000	2,065,000	450,000
American Collegiate Institute, Izmir	-	423,350	300,000	-	-
American School of Languages and Art	-	-	-	737,128	400,000
Robert College, Istanbul	-	-	-	1,000,000	500,000
SUBTOTAL, TURKEY	650,000	2,128,350	1,025,000	3,802,128	1,350,000

INSTITUTION AND LOCATION	FY 1985 GRANTS	FY 1986 REQUESTS	FY 1986 GRANTS	FY 1987 REQUESTS	FY 1987 GRANTS
United Kingdon					
New England College, Arundel	-	1,565,000	-	-	-
Zaire					
Good Shepherd Hospital, [illegible]nga	500,000	1,100,000	850,000	1,675,000	800,000
Zambia					
Macha Hospital, Choma	-	-	-	248,629	200,000
Mwami Adventist Hospital, Chipata	690,000	-	-	-	-
SUBTOTAL, ZAMBIA	690,000	-	-	248,629	200,000
Zimbabwe					
Simon Mazorodze Institute	-	-	-	2,090,000	1,000,000
Worldwide					
Project HOPE Schools of Health Sciences	1,500,000	3,100,000	2,000,000	3,375,000	1,550,000
Project ORBIS	1,850,000	2,000,000	1,925,000	2,500,000	2,300,000
SUBTOTAL, WORLDWIDE	3,350,000	5,100,000	3,925,000	5,875,000	3,850,000
Program Evaluation	-	-	-	-	50,000
TOTALS	30,000,000	84,048,276	33,495,000	93,817,643	35,000,000

OFFICE OF AMERICAN SCHOOLS AND HOSPITALS ABROAD
Summary of Aid to Recipient Institutions
FY 1959 - FY 1987
(In Thousand Dollars)

Institutions	FYs 1959-1980 U.S.$	FYs 1959-1980 L/C $ Equiv	FY 1981 U.S.$	FY 1982 U.S.$	FY 1983 U.S.$	FY 1984 U.S.$	FY 1985 U.S.$	FY 1986 U.S.$	FY 1987 U.S.$	TOTAL U.S.$	TOTAL L/C $ Equiv
Admiral Bristol Hospital, Istanbul, Turkey	3,955	-	93	750	550	400	650	725	450	7,573	-
Academy Cotopaxi, Quito, Ecuador	-	-	-	-	-	-	-	-	500	500	-
Adventist Hosp. of Haiti, Port-au-Prince, Haiti	235	-	400	-	-	-	-	-	-	635	-
Amana Ulpanat, Kfar Saba & Zefira, Israel	1,200	-	-	-	-	-	-	-	-	1,200	-
Am. British Cowdray Hosp., Mexico City, Mexico	-	-	-	-	-	1,000	-	1,000	-	2,000	-
Am. Center for Oriental Research, Amman, Jordan	-	-	-	200	-	400	250	-	-	850	-
American Children's Hospital, Krakow, Poland[1/]	5,410	15,288	-	300	150	750	250	325	400	7,585	30,920
American College of Belz, Israel	-	-	-	-	-	-	500	-	-	500	-
American College of Greece, Athens, Greece	5,507	-	-	300	-	380	-	500	-	6,687	-
American Collegiate Institute, Izmir, Turkey	-	-	-	-	-	-	-	300	-	300	-
American Farm School, Thessaloniki, Greece	5,059	-	550	425	295	350	475	-	-	7,154	-
American Hospital in Estepona, Spain	25	-	-	-	-	-	-	-	-	25	-
American Hospital of Paris, France	5,475	-	-	-	-	-	-	-	-	5,475	-
American Hospital in Rome, Italy	4,885	-	-	-	-	-	-	-	-	4,885	-
American International College, Israel	100	-	-	-	-	-	-	-	-	100	-
American Library in Paris, France	440	-	-	-	-	-	-	-	-	440	-
American Medical Center, Shanghai, China	-	-	-	-	-		-	-	1,000	1,000	-
Am. Sch. of Languages & Art, Istanbul, Turkey	-	-	-	-	-	-	-	-	400	400	-
American University of Beirut, Lebanon[2/]	120,904	-	3,500	4,000	4,000	5,000	5,000	6,000	6,000	154,404	-
American University in Cairo, Egypt[1/]	11,245	67,500	400	800	900	1,000	1,850	1,750	650	18,595	81,800
American University of Les Cayes, Haiti	-	-	-	-	-	-	-	700	900	1,600	-
Anatolia College, Thessaloniki, Greece	2,653	-	425	-	200	375	600	200	-	4,453	-
Angeles Univ., Angeles City, Philippines	-	-	-	-	-	-	-	650		650	-
Ateneo de Davao Univ., Davao City, Philippines	-	-	-	1,190	-	-	250	-	-	1,440	-
Ateneo de Manila U., Quezon City, Philippines	-	-	-	-	-	1,200	-	-	-	1,200	-
Ateneo de Zamboanga U., Zamboanga, Philippines	-	-	-	-	-	850	-	-	-	850	-
Athens College, Athens, Greece	3,127	-	-	-	200	275	-	-	350	3,952	-
Bangdung Adventist Hosp., Bangdung, Indonesia	300	-	-	-	-	-	-	-	-	300	-
Bangkok Adventist Hospital, Thailand	450	-	-	-	-	725	700	-	300	2,175	-
Bayit Lepletot Vocational Training School, Jerusalem, Israel	-	1,000	-	-	-	-	-	-	-	-	1,000
Beirut University College, Lebanon[3/]	-	-	375	-	-	-	350	200	-	925	-
Beth Bluma Voc. Sch., Petach Tikva, Israel	1,000	-	-	-	-	-	-	-	-	1,000	-
Bethlehem University, Bethlehem, West Bank	-	-	-	-	-	1,000	-	-	-	1,000	-
Beth Oloth Voc. High Sch., Jerusalem, Israel	600	-	-	-	-	-	-	-	-	600	-

Institutions	FYs 1959-1980 U.S.$	FYs 1959-1980 L/C $ Equiv	FY 1981 U.S.$	FY 1982 U.S.$	FY 1983 U.S.$	FY 1984 U.S.$	FY 1985 U.S.$	FY 1986 U.S.$	FY 1987 U.S.$	TOTAL U.S.$	TOTAL L/C $ Equiv
Beth Rivka Compre. Sch., Kfar Chabad, Israel	500	-	-	-	300	450	-	-	-	1,250	-
Beth Yaacov Avat Sch., Asdod & Ramat Gan, Israel	2,400	-	-	-	-	-	-	-	100	2,500	-
Beth Zeiroth Mizrachi, Jerusalem, Israel	500	-	-	-	-	-	-	-	-	500	-
Betsefer Tichon Lememichonaim Voc. High School, Umazgirut, Rechev, Rehovot & Tiberias, Israel	800	-	-	-	-	-	-	-	-	800	-
Biegen and Gennadius Libraries of the American School of Classicial Studies, Athens, Greece	-	-	-	-	-	-	-	-	450	450	-
Bonoc Techincal School, Bonoc, Haiti	-	-	-	-	200	-	375	330	200	1,105	-
Bologna Center for Advanced Intern'l Studies, Bologna, Italy	2,545	-	250	225	200	325	350	325	325	4,545	-
Boys Town Jerusalem, Israel	-	-	-	800	250	-	300	-	700	2,050	-
Cairo American College, Egypt	100	1,250	-	-	-	-	-	-	-	100	1,250
Ctrs of Am Studies & Life Sci., Shanghai, China	-	-	-	-	-	-	-	-	2,000	2,000	-
Central Hospital D'Enongal, Cameroon	-	-	-	-	-	-	325	-	325	650	-
Chemke Mercy Hospitals, Nigeria	903	-	-	-	-	-	-	-	-	903	-
Cheng Hsin Rehab. Center, Taipei, Taiwan	1,860	-	-	-	-	-	-	-	-	1,860	-
Children's Town, Jerusalem, Israel	-	-	-	-	-	-	-	500	-	500	-
Ch'san Sofer Chasan Yecheskel Institute, Jerusalem, Israel	700	1,000	-	-	-	-	-	-	-	700	1,000
Chung Ang University, Seoul, Korea	-	-	-	-	-	-	-	400	-	400	-
Clifford M. Strauss School, Sarcelles, France	250	-	-	-	-	-	-	-	-	250	-
College of the Holy Family, Cairo, Egypt	-	-	-	-	-	-	400	-	-	400	-
Cuttington University College, Suacoco, Liberia	2,700	-	750	-	900	650	600	700	720	7,020	-
Damavand College, Tehran, Iran	1,649	-	-	-	-	-	-	-	-	1,649	-
De La Salle University, Manila, Phillipines	1,200	-	-	-	800	-	-	-	-	2,000	-
Eastern Tech. Instit., Batticaloa, Sri Lanka	-	-	-	-	-	-	-	-	130	130	-
Educational Ctr. of Galilee, Raschasim, Israel	1,750	-	-	-	-	-	-	-	-	1,750	-
Emunah Women of Am. Com. Col., Jerusalem, Israel	-	-	-	-	450	-	200	-	-	650	-
Escuela Internacional Sampedrana, San Pedro Sula, Honduras	-	-	-	-	200	-	800	200	-	1,200	-
Esperanca, Santarem, Brazil	850	-	190	200	-	150	-	192	250	1,832	-
Feinberg Graduate School, Rehovot, Israel	16,200	-	1,000	1,000	750	1,200	500	750	1,000	22,400	-
Francisco Marroquin University, Guatemala City, Guatemala	-	-	-	-	-	1,000	-	1,900	1,400	4,300	-
Gan Yavne Youth Village, Gan Yavne	975	-	-	-	-	-	150	-	-	1,125	-
Good Shepherd Hospital, Kananga, Zaire	840	-	130	-	550	715	550	850	800	4,435	-
Gorgas Memorial Institute, Panama	20	-	-	-	-	-	-	-	-	20	-
Hadassah Medical Center, Jerusalem, Israel	10,150	1,000	1,000	1,000	850	1,500	1,500	1,500	1,650	19,150	1,000

Institutions	FYs 1959-1980 U.S.$	FYs 1959-1980 L/C $ Equiv	FY 1981 U.S.$	FY 1982 U.S.$	FY 1983 U.S.$	FY 1984 U.S.$	FY 1985 U.S.$	FY 1986 U.S.$	FY 1987 U.S.$	TOTAL U.S.$	TOTAL L/C $ Equiv
Hadera Institute, Hadera, Israel	1,400	-	-	-	-	-	-	-	-	1,400	-
Haifa Institute of Education, Israel	550	-	-	-	-	-	-	-	-	550	-
Harry S. Truman Research Institute of Peace, Jerusalem, Israel	-	-	-	-	-	-	-	150	-	150	-
Heri Mission Hospital, Kigoma, Tanzania	275	-	-	-	-	-	-	-	-	275	-
Hosp. de la Familia, Nuevo Progreso, Guatemala	1,045	-	-	-	-	125	-	-	200	1,370	-
Hospital St. Croix, Leogane, Haiti	-	-	-	150	-	-	300	355	200	1,005	-
Igud Leiluf Hanoar, Israel	750	-	-	-	-	-	-	-	-	750	-
Induk Vocational School, Seoul, Korea	1,625	-	-	-	-	-	-	-	-	1,625	-
International College of Beirut, Lebanon[3]	2,842	-	500	-	250	-	-	-	-	3,592	-
International Eye Foundation	400	-	-	-	-	-	-	-	-	400	-
Jerusalem College for Women, Israel	750	1,000	-	-	-	-	-	-	-	750	1,000
Jerusalem College of Technology, Israel	-	1,986	-	-	-	250	-	-	-	250	1,986
Kanye Hospital, Kanye, Botswana	1,000	-	900	-	600	-	-	800	-	3,300	-
Kfar Eliyahu Teacher Training Institute, Beer Yaacov, Israel	1,645	-	-	-	-	-	-	-	-	1,645	-
Kfar Eliyahu Youth Village, Gedera, Israel	950	-	-	-	-	-	-	-	-	950	-
Kfar Silver, Ashkelon, Israel	-	-	-	-	-	200	-	-	-	200	-
Kodaikanal School, Tamil Nadu, India	-	-	-	-	-	-	300	-	-	300	-
Kwangju Christian Hospital, Kwangju, Korea	-	-	-	-	-	250	-	-	-	250	-
Kyriat Chinuch Mevasseret Zion, Jerusalem, Israel	480	-	-	-	-	-	-	-	-	480	-
Lampang Col. of Com. & Tech., Lampang, Thailand	-	-	-	-	-	-	-	850	750	1,600	-
LaSalle College, Bacolod, Philippines	-	-	-	-	-	-	-	-	250	250	-
Laniado Hospital, Netanya, Israel	500	-	-	-	-	-	500	-	-	1,000	-
Lingnan College, Hong Kong	1,650	-	-	-	-	-	-	-	-	1,650	-
Loyola Secondary Sch, Wau, Bahr el Ghazel, Sudan	-	-	-	-	-	425	-	-	-	425	-
Ludhiana Christian Medical College, Punjab, India	500	-	-	-	500	500	500	500	-	2,000	-
Macha Hospital, Choma, Zambia	-	-	-	-	-	-	-	-	200	200	-
Machaniam High School, Kiryat Gat, Israel	-	-	-	-	-	-	-	200	200	400	-
Malamulo Hospital, Makwasa, Malawi	550	-	750	400	-	-	700	550	-	2,950	-
Maru a Pula School, Gaborone, Botswana	195	-	-	-	-	550	425	-	-	1,170	-
Mother and Baby Hospital, Jerusalem, Israel	-	-	-	-	-	-	-	1,250	-	1,250	-
Mt. of David Crippled Children's Hospital, Bethlehem, West Bank	1,500	-	750	-	-	-	-	-	-	2,250	-
Mugonero Hospital, Kibuye, Rwanda	750	-	-	-	575	-	-	-	-	1,325	-
Musa Alami Foundation, Jericho	120	-	-	-	-	-	-	-	-	120	-
Music Foundation, Israel	-	-	-	-	-	-	-	200	-	200	-
Mwami Adventist Hospital, Chipata, Zambia	-	-	300	-	-	600	690	-	-	1,590	-

Institutions	FYs 1959-1980 U.S.$	FYs 1959-1980 L/C $ Equiv	FY 1981 U.S.$	FY 1982 U.S.$	FY 1983 U.S.$	FY 1984 U.S.$	FY 1985 U.S.$	FY 1986 U.S.$	FY 1987 U.S.$	TOTAL U.S.$	TOTAL L/C $ Equiv
Nancy Fulwood Hospital, Sahiwal, Pakistan	-	-	-	-	-	-	-	500	-	500	-
New England College, Arundel, England	850	-	-	-	-	-	-	-	-	850	-
Notre Dame of Marbel College, Korondal, Philippines	-	-	-	-	-	-	-	-	950	950	-
Notre Dame University, Cotobato City, Philippines	-	-	-	-	-	-	-	-	850	850	-
Ohr Somayach School, Jerusalem, Israel	1,150	-	-	-	-	-	1,000	-	1,000	3,150	-
Or Hachayim Girls College, Bnai-Brek, Israel	1,645	1,000	-	150	-	-	-	-	-	1,795	1,000
Panamerican Agri. Sch., Zamorano, Honduras	4,324	-	1,300	1,500	1,455	1,700	1,700	1,443	1,000	14,422	-
Payap College, Chiang Mai, Thailand	1,980	-	1,075	960	500	500	-	-	-	5,015	-
Pediatric Hospital, Seoul, Korea	50	-	-	-	-	-	-	-	-	50	-
People-to-People Health Foundation (Project HOPE), Worldwide	27,000	-	1,500	1,600	1,500	1,500	1,500	2,000	1,550	38,150	-
Presbyterian Medical Center, Jeonju, Korea	1,808	-	450	200	200	-	400	-	-	3,058	-
Project ORBIS, Worldwide	1,034	-	-	750	700	1,000	1,850	1,925	2,300	9,559	-
Ramat Havraath Hospital and Home for the Aged, Petah Tikvah, Israel	1,150	-	-	-	-	-	-	-	-	1,150	-
Robert College, Istanbul, Turkey	22,370	-	275	-	-	280	-	-	500	23,425	-
Satya Wacana Christian University, Salatiga, Indonesia	650	-	-	-	-	-	-	-	-	650	-
Sde Chemed Vocational School, Rishon Le Zion, Israel	250	-	-	-	-	-	-	-	-	250	-
Sephardic Vocational School, Rosh Ha'Ayin, Israel	250	-	-	-	-	-	-	-	-	250	-
Sha'Alvim Teacher's College, D.N. Agalon, Israel	-	-	-	-	-	-	-	400	-	400	-
Shaare Zedek Medical Center, Jerusalem, Israel	2,925	-	-	-	500	500	-	500	500	4,925	-
Silliman Univer., Dumaguete City, Philippines	1,275	-	-	-	500	-	-	-	-	1,775	-
Simon Mazorodze Institute for Biomedical Education and Research, Harare, Zimbabwe	-	-	-	-	-	-	-	-	1,000	1,000	-
Sogang University, Seoul, Korea	3,166	-	800	950	-	550	-	-	-	5,466	-
Soong Sil (Jun) University, Seoul, Korea	1,300	-	-	-	-	-	900	-	-	2,200	-
Spafford House, Israel	20	-	-	-	-	-	-	-	-	20	-
St. George's College, Kingston, Jamaica	-	-	-	-	-	625	-	225	-	850	-
St. Joseph Girls' High Sch., Cholla Nam Do, Korea	-	-	-	-	100	-	-	-	-	100	-
Tel Aviv Vocational School, Israel	1,000	-	-	-	-	-	-	-	-	1,000	-
Tenwek Hospital, Bomet, Kenya	-	-	-	-	-	-	-	-	500	500	-
Tom Vocational School, Hadera, Israel	500	-	-	-	-	-	-	-	-	500	-
Trinity College, Manila, Philippines	900	-	-	-	-	-	-	-	-	900	-
Univ. of the Valley, Guatemala City, Guatemala	1,625	-	1,200	950	875	700	850	600	600	7,400	-
University of the Americas, Puebla, Mexico	12,758	-	-	700	-	500	-	-	700	14,658	-

Institutions	FYs 1959-1980 U.S.$	FYs 1959-1980 L/C $ Equiv	FY 1981 U.S.$	FY 1982 U.S.$	FY 1983 U.S.$	FY 1984 U.S.$	FY 1985 U.S.$	FY 1986 U.S.$	FY 1987 U.S.$	TOTAL U.S.$	TOTAL L/C $ Equiv
University of North Africa, Tangier, Morocco	-	100	-	-	-	-	-	-	-	-	100
Vellore Christian Medical College and Hospital, Vellore, India	-	-	-	500	-	400	500	450	700	2,550	-
Woodstock School, Mussorie, India	-	-	-	-	-	-	110	-	-	110	-
Working Boys' Center, Quito, Ecuador	2,525	-	300	-	-	-	-	-	-	2,825	-
Yad Benjamin Educational Center, Netivot, Israel	750	-	-	-	-	-	-	-	-	750	-
Yonsei University, Seoul, Korea	1,000	-	-	-	-	-	-	-	-	1,000	-
Xavier High School, Truk Island, Federated States of Malaysia	-	-	-	-	-	-	-	600	-	600	-
Xavier Univ., Cagayen de Oro City, Philippines	1,550	-	-	-	-	-	-	-	-	1,550	-
Program Support	1,487	-	-	-	-	-	-	-	50	1,537	-
TOTAL:	336,231	91,124	20,000	20,000	20,000	30,000	30,000	33,495	35,000	524,726	121,056

1/ Several ASHA-assisted institutions have benefited from local currency availabilities since FY 1981:
-- American Children's Hospital in Poland:
$15.6 million equivalent (estimated) in U.S. owned Polish zlotys allotted by ASHA in FYs 1985, 1986 and 1987.
-- American University in Cairo (AUC):
$14.3 million equivalent in U.S. owned Egyptian pounds, allotted in FY 1981 by ASHA and (not included in total) $50 million equivalent in Egyptian pounds for AUC's endowment fund, allocated/administered by the USAID Mission in Cairo. Table also does not include $400,000 granted AUC by the Department of State in FY 1959.

2/ American University of Beirut (AUB):
Table does not include Department of State grant of $2,495,000 in FY 1959, nor ASHA-administered emergency funding FY 1981-87 of $37,613,000 from Economic Support Fund (ESF) and supplemental assistance.

3/ Beirut University College (BUC) and International College of Beirut (IC):
Table does not include emergency assistance of $3,077,000 for BUC nor $1,030,000 for IC in FYs 1983-1986 from ESF and supplemental assistance.

INTERNATIONAL DISASTER ASSISTANCE

Appropriation, 1987	$70,000,000
Budget request, 1988	25,000,000
House allowance	25,000,000
Committee recommendation	25,000,000

The Office of Foreign Disaster Assistance [OFDA] is the principal vehicle of the U.S. Government for responding to natural and manmade disasters in other countries. Over the years, OFDA has gradually broadened the scope of its operations to include activities which promote disaster preparedness, the development of disaster early warning systems, contingency planning programs, and the development of low-cost programs which will help to mitigate the effects of future disasters. Assistance provided through the OFDA is a tangible demonstration to its recipients of the concern of Americans for those suffering the effects of natural and manmade disasters. As such, it is a worthy expression of traditional American values of helping others in time of need. In particular, OFDA has developed a well-deserved reputation for its ability to respond quickly to immediate disaster requirements.

The Committee is very supportive of OFDA's efforts at developing early warning programs to anticipate the occurrence and magnitude of disasters. These programs have enabled OFDA to meet its primary responsibility—the rapid response, through the provision of commodities and services, of assistance to alleviate suffering and promote recovery through rehabilitation programs.

The Committee wishes to clarify its intention that the notification requirements of section 523 of the bill not be applicable in situations where the deobligation/reobligation authority is used to provide disaster assistance. However, the Committee expects to be notified at least 5 days prior to the reobligation of funds for disaster purposes, unless the emergency is life threatening and immediate assistance is necessary.

Following is a table detailing fiscal year 1987 obligations and availabilities of disaster assistance funding as of April 15, 1987:

Fiscal year 1987 international disaster assistance

Total available for 1987	[1] $28,231,825
Relief and rehabilitation (worldwide):	
Africa regional insect infestation (fiscal year 1986)	24,167
Argentina forest fires	85,860
Argentina tornado	5,000
Benin meningitis	13,050
Burkina Faso drought (fiscal year 1986)	102,512
Burkina Faso insect infestation	73,400

See footnotes at end of table.

Fiscal year 1987 international disaster assistance—Continued

Relief and rehabilitation (worldwide)—Continued	
Burkina Faso insect infestation (fiscal year 1985)	$29,277
Cameroon lake explosion	13,845
Cameroon poison gas explosion (fiscal year 1986)	37,236
Chad insect infestation	191,000
Chad insect infestation (fiscal year 1986)	6,065
Chile earthquake (fiscal year 1985)	12,319
Cook Islands typhoon Sally	27,000
Ecuador earthquake	51,336
El Salvador earthquake	1,462,803
Equatorial Guinea fire	10,000
Ethiopia drought (fiscal year 1985)	17,000
Fiji cyclone Raja	25,000
Gambia insect infestation	664,091
Greece earthquake (fiscal year 1986)	22,567
Haiti floods	34,488
Malaysia urban fires	4,000
Mali insect infestation	170,000
Mali insect infestation (fiscal year 1986)	458,810
Mauritania insect infestation (fiscal year 1986)	170,000
Niger insect infestation	25,000
Panama floods	25,000
Papua New Guinea earthquake	94,000
St. Vincent floods (fiscal year 1986)	75,000
Senegal insect infestation	74,475
Senegal insect infestation (fiscal year 1986)	776,414
Solomon Islands cyclone (fiscal year 1986)	20,287
Somalia cholera (fiscal year 1985)	2,453
South Africa food shortage	125,000
Sudan civil strife (fiscal year 1986)	406,717
Tuvalu cyclone	25,000
Vanuatu cyclone	349,000
Yemen insect infestation	3,441
Regional disaster supply stockpiles	1,500,000
Disaster preparedness and technical assistance	6,000,000
Total programmed or obligated (as of March 31 1987)	13,212,613
Balance available	[2] 15,019,212

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[1] Includes $8,231,825 in prior year carryover.

[2] Current commitments (Mozambique civil strife, Ecuador earthquake, and Africa insect infestation and Sudan civil strife) against this balance total $13,800,000, which leaves an uncommitted balance of $1,200,000 as of March 31, 1987.

PAYMENT TO THE FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

Appropriation, 1987	$45,492,000
Budget request, 1988	35,132,000
House allowance	35,132,000
Committee recommendation	35,132,000

The Foreign Service Retirement and Disability Fund is a mandatory expense of the Agency for International Development. The Committee recommends the appropriation of the full budget request.

OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Appropriation, 1987	[1] $386,900,000
Budget request, 1988	426,810,000
House allowance	406,000,000
Committee recommendation	406,000,000

[1] Appropriated funds of $348,300,000, additional $38,600,000 provided under program use authority.

OVERVIEW

The Committee's recommendation for AID's operating expenses reflects the characteristic which most distinguishes the U.S. foreign assistance program from that of all other donors—fully staffed overseas missions whose personnel work closely with their host country counterparts to bring about economic and social change. This cadre of development professionals is the most valuable tool at our disposal to address the long-term needs of developing countries. This Committee in the past has shown its support for this concept by, for example, encouraging increased training for AID staff in specialized skill areas, and promoting the expansion of AID's International Development Intern Program as an effective way of bringing bright young people into the Agency. AID has supported the concept of strengthened field missions through a program which stresses the decentralization of responsibility. The Committee recognizes the validity of this approach and understands that its continuation entails significant fixed costs. At the same time, however, decentralization has lead to a series of management issues which the Agency is only now attempting to address effectively.

SALARY SUPPLEMENTS

One of these issues concerns the Agency's practice of providing salary supplements to officials of foreign governments. The Committee is aware that under exceptional circumstances it may be necessary for salary supplements to be paid to officials who have specific technical expertise in order to keep them on the job. Salaries at such job levels often are extremely low in developing countries and the competition for skilled personnel is very severe.

The Committee has learned of the widespread use of salary supplements in Ecuador through an informal and secret arrangement between certain Ecuadorian officials and an AID mission director, who since has been discharged from the Agency. The Committee regards such widespread and clandestine use of salary supplementals as highly inappropriate.

USAID mission officials in Ecuador are directly responsible for this situation and should be held accountable. In addition, we fault AID's Washington management for, first, not effectively monitoring the operations of its field missions, and, second, not providing agencywide guidance clearly limiting the use of salary supplements. The Committee has considerable reservations about the use of supplements for any ministerial-level official. Moreover, the Committee agrees with former Administrator McPherson, as he testified before this Committee, that supplements should only be used on an exceptional basis pursuant to a public agreement with the host country, and should be approved only after a careful rationale justifying its use has been made.

MISSION MANAGEMENT

A second area of concern to the Committee is the general issue of mission management and whether, as reflected in the problems cited above in Ecuador, AID/Washington really knows what is going on in its field missions. The Committee understands that the Agency is undertaking a series of mission assessments to determine the adequacy of its financial accounting procedures. The Committee welcomes this initiative as a way of anticipating problems before they get out of hand.

The Committee also believes that similar assessments should be conducted on the program side to determine whether there exist common problems which point to the need for more detailed guidance from the Agency's headquarters staff. In prior reports the Committee has expressed its concern over the proliferation of AID projects and the need for coordination of activities among other donors and with private and voluntary organizations. In part the proliferation of projects can be attributed to an increasing tendency on the part of Congress to impose new tasks on AID. Nonetheless, the Committee believes that the Agency could be doing more than it has done to pare down the number of projects in its portfolio. It should better coordinate its activities with private groups doing work overseas to ensure that any duplication of efforts is minimized, and that work with other donors to reduce the burden that numerous projects have on host country bureaucracies. In many instances, the capacity of countries to manage these projects is stretched to the limit. Continued assessments of its field missions will enable the Agency to determine whether these objectives—which the Agency has stated that it shares—are being achieved.

MANAGEMENT STUDIES

The Committee has included a provision in the bill which requires AID to prepare analyses of the management and performance of nine offices and directorates located in AID/Washington. These reports are to be submitted to the Committee by April 15, 1988.

The Committee is aware that the Agency undertakes program and management analyses of its field missions on a periodic basis and believes strongly that the same kind of oversight must be exercised over AID's Washington offices. Of particular concern to the Committee is the issue of how well these offices provide effective support for AID's field missions. For offices with program responsibilities, the Committee believes that the required reports should address how well the central offices' programs are integrated into the field missions' project portfolio. In short, the Committee wants to know whether AID's Washington offices are achieving their stated objectives, whether these objectives can be achieved more efficiently through an alternative organizational structure, and whether, in fact, these objectives remain valid in light of funding and personnel limitations.

By specifying the offices to be reviewed, the Committee does not mean to suggest that there are any problems within those offices. Rather, the Committee is looking to receive reports from a crossection of offices in order to get a more comprehensive view of the performance of AID/Washington. The Committee expects to be consulted during the process of evaluation. The Committee does not wish to preclude the use of AID personnel to conduct these studies. However, it is the Committee's view that the study of an office or directorate should not be undertaken by personnel assigned to the bureau within which the office or directorate is located.

FUTURE TRENDS

It is important for AID to examine its historic performance to determine whether it has achieved the objectives it has set for itself. Only in this way can it meaningfully correct its faults and guide its future actions. The Committee is under no illusions. Development is a long-term process. Often, it is a tentative process, with a single natural disaster eradicating years of development effort.

Since its founding in 1961, the Agency has been responsible for many significant achievements. Yet, the Committee believes that the Agency would benefit from a reexamination of its development objectives and how best to achieve them. With over 25 years of experience behind us, with major changes in the world economy, and with an increasing understanding of the difficulty of the development process, the Committee believes that there is considerable merit in rethinking our approaches to development. Therefore, the Committee extends an invitation to the Agency to chair a meeting of representatives of appropriate congressional committees to assess the future role, responsibilities, and direction of the Agency.

AID'S ROLE IN FORMULATING U.S. ECONOMIC ASSISTANCE STRATEGY

The Committee applauds AID's efforts to program economic assistance in a way that encourages recipient countries to make sensible reforms in their economic policies. AID has adopted economic policy reform as one of its principal objectives and has achieved particularly impressive results in Africa and Central America, where recipient countries have been persuaded that it is in their interest to adopt sound economic policies.

Evidence has shown that when AID is given the political support of the Department of State to insist on economic change as a condition for assistance, its ability to help countries achieve economic growth with equity is greatly enhanced. The Committee supports this initiative and believes that, if it is to fully succeed, AID should occupy a principal chair at the administration policy table where overall foreign assistance levels and programs for specific countries are determined. The Committee hopes that this support extends within the Federal Government to the Departments of State, Treasury, and Agriculture as well as to OMB and the NSC, so that AID continues to be fully included in the decisions which affect the direction and overall strategy of foreign economic assistance.

BUREAU FOR EXTERNAL AFFAIRS

The Committee recognizes that there is a need to provide information to the American public on the activities of the Agency in conducting its foreign assistance programs. But the Congress and the public can be well-served by such information only if it is objective. Unfortunately, events during the past year compel the Committee at this time to remind the Agency that there is a fine but clear line between the use of funds provided in this bill to make available information and the use of funds for lobbying and propaganda purposes, the latter use being prohibited by section 516 of the bill. The Committee will continue to examine the activities of the bureau to ensure that they do not cross that line into a prohibited area.

ARCHITECT AND ENGINEERING SERVICES

Under existing Governmentwide procedures, the procurement of architect and engineering [A&E] services are not competitively bid in the same manner as other services. Current procedures entail selection of an A&E contractor on the basis of qualifications and negotiations. Once an agency has used a qualifications-based review of proposals to narrow the field of potential contractors to a short list of firms, the Agency then negotiates with the highest ranked firm about the specifics of the project and the cost to do the work. If an acceptable agreement cannot be reached, then the agency may negotiate with the next highest ranked firm.

While the present policy of AID mirrors these procedures, the Committee is concerned that exceptions are being made to circumvent them. This is true especially with regard to host country contracts. The Committee directs the Agency to apply these Governmentwide procedures for contracting for A&E services in both direct-AID and host country contract situations, making exceptions only in rare circumstances and only on a case-by-case basis.

SECTION 636(c)

The Committee has included a provision in the bill which amends the Foreign Assistance Act to permit AID and the Department of Defense to use funds up to a total of $6,000,000 for the purpose of section 636(c) of that act. Section 636(c) currently authorizes AID and the Department of Defense to use a total of $3,000,000 of the funds appropriated to them under the bill to construct or acquire living quarters, office space, schools, and hospitals for use by their personnel overseas. Both DOD and AID are finding that they can achieve cost savings if they make use of this authority. However, the ceiling in current law, which has not been increased since 1961, is projected by AID and DOD to be inadequate for their needs in the coming fiscal year. Therefore, the Committee has included this provision doubling the current ceiling.

MINORITY SET-ASIDE

The Committee has recommended bill language which is the same as current law earmarking a minimum of 10 percent of the development assistance funds to be available for activities of economically and socially disadvantaged enterprises. These include: historically black colleges and universities, and, for the first time, colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or native Americans.

The following three tables show the funding sources for AID operating expenses, a comparison of operating expenses to program funds, and operating expenses by object, class, and major location.

FUNDING OF AID OPERATING EXPENSES[1]

[In millions of dollars]

Funding sources	Fiscal year— 1986 actual	Fiscal year— 1987 estimate	Fiscal year— 1988 proposed
Operating expense requirements	428.9	465.7	494.3
Less:			
Local support costs	16.2	38.6	
Dollar fees	6.5	6.6	6.2
Local currency trust funds	40.0	64.5	56.8
Appropriated funding level	366.2	356.0	431.3
Less:			
Reimbursements (net)	5.4	5.5	4.5
Prior-year funds available	1.4		
Plus:			
Current-year carried forward			
Lapsed funds[2]	0.8		
New budget authority	360.2	350.5	426.8

[1] Excludes operating expense of the inspector general.

[2] For 1986, pursuant to Public Law 99–190.

COMPARISON OF OPERATING EXPENSES TO PROGRAM FUNDS[1]

[Fiscal years 1982 thru 1988]

[Dollar amounts in millions]

	Fiscal year— 1982 actual	1983 actual	1984 actual	1985 actual	1986 actual	1987[2] estimate	1988[2] proposed
Development assistance	$1,396.3	$1,433.3	$1,468.2	$1,862.3	$1,696.9	$1,533.6	$1,658.5
Economic Support Fund	2,770.3	2,971.5	3,146.3	5,247.4	4,913.0	3,978.6	3,600.0
Disaster assistance	73.3	104.8	207.5	127.8	90.7	185.4	25.0
American schools and hospitals abroad	20.0	20.0	30.0	30.0	33.5	35.0	20.0
Total program	4,259.9	4,529.6	4,852.0	7,267.5	6,734.1	5,732.6	5,303.5
Operating expenses[3]	332.1	357.0	375.4	397.4	403.0	408.9	449.5
Total budget	4,592.0	4,886.6	5,227.4	7,664.9	7,137.1	6,141.5	5,753.0
Operating expenses as percent of:							
Total program	7.8	7.9	7.7	5.5	6.0	7.1	8.5
Total budget	7.2	7.3	7.2	5.2	5.6	6.7	7.8

[1] Data excludes amounts for Public Law 480 programs and refugee assistance for which AID has extensive management responsibilities, peacekeeping operations, housing guaranty programs, trade and development program, and payments to the Foreign Service Retirement and Disability Fund.

[2] Increase in fiscal year 1987–88 operating expense costs due primarily to costs associated with the new retirement system for Federal employees which will be funded from this account instead of from the special retirement appropriations.

[3] Fiscal year 1986 and beyond includes the operating expenses of the inspector general; fiscal years 1983, 1986, and 1987 include operating expense costs funded from program accounts as authorized by Congress.

AID OPERATING EXPENSES BY OBJECT CLASS AND MAJOR LOCATION

[In millions of dollars]

Object class	Fiscal year—		
	1986 actual	1987 estimate	1988 estimate
11 Personnel compensation:			
AID Washington	80.0	86.4	87.7
Overseas	114.2	118.3	121.0
Total	194.2	204.7	208.7
12 Personnel benefits:			
AID Washington	8.0	10.8	15.7
Overseas	17.5	22.7	34.9
Total	25.5	33.5	50.6
13 Benefits--Former personnel:			
AID Washington	.1	.1	.1
Overseas	.2	.3	.3
Total	.3	.4	.4
21 Travel and transportation:			
AID Washington	3.7	3.4	3.8
Overseas	14.6	14.1	16.1
Total	18.3	17.5	19.9
22 Transportation of things:			
AID Washington	.2	.2	.3
Overseas	10.1	10.3	11.5
Total	10.3	10.5	11.8
23 Rent, communications, and utilities:			
AID Washington	12.3	15.4	18.0
Overseas	20.7	23.2	25.4
Total	33.0	38.6	43.4
24 Printing and reproduction:			
AID Washington	1.4	1.2	1.2
Overseas	.2	.2	.2
Total	1.6	1.4	1.4
25 Other services:			
AID Washington	23.6	20.0	22.4
Overseas	45.4	42.8	44.9
Total	69.0	62.8	67.3
26 Supplies and materials:			
AID Washington	1.2	.9	1.1
Overseas	7.2	6.9	7.0
Total	8.4	7.8	8.1

AID OPERATING EXPENSES BY OBJECT CLASS AND MAJOR LOCATION—Continued

[In millions of dollars]

Object class	Fiscal year— 1986 actual	Fiscal year— 1987 estimate	Fiscal year— 1988 estimate
31 Equipment:			
AID Washington	4.3	3.7	4.4
Overseas	13.8	10.5	10.2
Total	18.1	14.2	14.6
32 Lands and structures:			
AID Washington			
Overseas	1.0	.5	2.5
Total	1.0	.5	2.5
41 Grants, subsidies, and contributions:			
AID Washington			
Overseas	2.5	2.5	2.5
Total	2.5	2.5	2.5
42 Insurance claims and indemnities:			
AID Washington			
Overseas	.1	.1	.1
Total	.1	.1	.1
Summary:			
AID Washington	134.1	141.5	154.5
Overseas	248.2	253.0	276.8
Total	382.3	394.5	431.3
Less reimbursements	5.4	5.5	4.5
Total appropriated funds	376.9	389.0	426.8

OPERATING EXPENSES OF THE OFFICE OF INSPECTOR GENERAL

Appropriation, 1987	$21,000,000
Budget request, 1988	22,687,000
House allowance	21,580,000
Committee recommendation	23,970,000

This year, as in previous years, the Committee has given close attention to the request of the inspector general for appropriations to fund the operating expenses of that office for the 1988 fiscal year. The Committee has concluded that at the current funding level, and at that requested for 1988, the inspector general of AID is demonstrably unable to maintain adequate audit and investigative oversight of the Agency's far ranging, multifaceted, highly vulnerable aid programs in some 70 of the world's developing nations.

For the past 2 years the Committee has recommended, and the Congress has approved, annual funding that has permitted the Congress to require a minimum personnel level for the inspector general's staff of 193 full-time equivalent [FTE] employees. The Committee is recommending a new interim level of 240 FTE to be achieved over a 2-year period. The Committee's recommendation of $23,970,000 includes funding to support the first year's increment of the planned increase. The recommended funding level is based upon the Committee's expectation that through vigorous and intensive recruiting, approximately one-third of the planned interim goal can be achieved by the end of fiscal year 1988.

The Committee's action is based upon a number of considerations which deserve summary here. Foremost among these is the strong and continuing commitment of this Committee and of the Congress to ensure to the highest practical degree the integrity of the foreign aid program. The realities of the program make this a daunting task.

As this Committee has noted in prior reports, it is difficult to conceive of the operations of any Federal agency more at risk to waste, fraud, abuse, and vulnerable to mismanagement than that of the Agency for International Development. It is the nature, conditions and operational environment of the foreign aid progam which forces this conclusion, which is intended in no way as a reflection on the Agency itself. The rush of reports of corruption and abuse in the Philippines and Haiti following the fall of the former governments of those two countries illustrates the type of environment which can confront the Agency's programs. Lack of infrastructure, and limited indigenous managerial, technical, and administrative skills commonly impact on the Agency's programs in developing countries.

As of September 30, 1986, the Agency was responsible for a total foreign aid pipeline in excess of $27,000,000,000 and had about 5,000 active contracts and grants. These numbers, the diversity and decentralization of the programs they represent, and the conditions under which the programs must be implemented both warrant and require action by this Committee and the Congress to strengthen the audit and investigative arms of the Agency's inspector general organization. At current authorized staffing levels, a single unanticipated allegation of significant program abuse or mismanagement can severely strain limited inspector general resources. Just such a situation occurred in a Latin American country and was reported to the Committee on March 1987 by the Administrator of the Agency for International Development. This incident required the diversion for several months of a large number of the inspector general's Latin American regional staff from other planned and necessary audit and investigative tasks.

The inspector general's testimony in support of the fiscal year 1988 budget request revealed that his planned audit program is auditing only about one-fourth of the Agency's foreign aid expenditures on a 5-year cycle. Diversions such as the Latin American example obviously reduce even this limited audit oversight. It is clear to the Committee that somewhere in excess of 75 percent of the Agency's expenditures for foreign aid are routinely unaudited year after year and will never receive audit oversight. The Committee finds this unacceptable. The recommended increase in funding will begin to reverse this unsatisfactory condition.

The Committee recommends, for a second year, bill language that would prohibit closure or relocation of the inspector general's regional overseas offices. The rationale for this action set forth last year (S. Rept. 99–443, 99th Cong., 2d sess.) remains valid.

For the first time, the Committee is recommending language designed to permit the inspector general the discretion available to all other statutory inspectors general to establish the staffing levels of regional inspector general offices. Without the grant of such authority by law, on the basis of long-standing observations the Committee is convinced that the inspector general would confront interminable delays or even failures in assigning any of the increased staff to overseas positions. The Committee does not believe its recommended program to strengthen the AID inspector general function should founder or be weakened by administratively imposed road blocks.

The following table shows the office of the inspector general's operating expenses by object class.

Object classification

[In thousands of dollars]

Personnel compensation:	
Full-time permanent	11,256.7
Other than full-time permanent	916.5
Other personnel compensation	673.0
Subtotal personnel compensation	12,846.2
Personnel benefits: Civilians	530.1
Travel and transport of persons	2,609.8
Transportation of things	298.0
Standard level user charges	625.0
Communication, utilities, and other rent	1,711.0
Printing and reproduction	68.0
Other services	5,006.0
Supplies and materials	61.9
Equipment	214.0
Total obligations	23,970.0

NOTE.—This is estimate for fiscal year 1988 which includes initial increment (12 FTE) of buildup to new 240 FTE level.

HOUSING GUARANTY PROGRAM

(LIMITATION ON GUARANTEED LOANS)

Appropriation, 1987	$145,464,000
Budget request, 1988	100,000,000
House allowance	125,000,000
Committee recommendation	125,000,000

(LOAN RESERVE)

Appropriation, 1987	10,000,000
Budget request, 1988	22,000,000
House allowance	22,000,000
Committee recommendation	22,000,000

The Committee concurs entirely with the recommendations of the House-reported bill both with respect to the amounts for limitations on guaranteed loans and for the loan reserve, as well as for language needed for continued operation of this program.

This program is AID's primary capital resource for implementing shelter programs and related activities. The basic components of projects funded by the Housing Guaranty Program include minimum affordable shelter, basic water and sanitation infrastructure, home improvement loans, community facilities, and related small enterprise development. The program has been successful and deserves continued strong support from the Congress.

ECONOMIC SUPPORT FUND

Appropriation, 1987	$3,851,000,000
Budget request, 1988	3,580,500,000
House allowance	3,128,906,000
Committee recommendation	3,188,320,000

The Economic Support Fund [ESF] provides economic assistance to address economic structural and development problems in countries of particular security and political interest to the United States. Its purposes range from the provision of balance-of-payments support through cash transfer or commodity import mechanisms to the financing of discrete development assistance activities.

The use of ESF to address macroeconomic problems has been criticized as not being developmental in nature. The Committee does not agree. It is very often the case that program and sector assistance must be used in a country in order to achieve increases in living standards for a majority of the population. There appears to be a consensus among the donor organizations and aid-recipient countries that significant modifications of government policies, when the impacts of such modifications are cushioned by donor assistance, can yield major development benefits. It is no coincidence that increases in agricultural production in many African countries closely followed donor-supported changes in pricing and marketing policies.

Moreover, a government's inability to meet its debt obligations will have necessarily an impact on its willingness and ability to invest scarce resources in domestic economic and social programs. Similarly, the absorptive capacity of aid-recipient governments in terms of the demands placed on its limited pool of trained personnel, as well as the scarcity of financial resources, may argue for a greater use of program assistance or, perhaps, a concentration by donors on ensuring that the recurrent costs of existing projects are satisfactorily met. In short, the economic circumstances of aid-recipient countries dictate a mix of program and project assistance, each complementing the other, and which will vary depending on the circumstances of the individual country. In the Committee's view, balance-of-payments assistance can and has served significant development objectives.

The Committee also is aware that an issue has arisen concerning the use of assistance provided in the form of a cash transfer to repay to the United States previously incurred FMS debt. Given the overall debt circumstances of many aid-recipient countries, it is important the the issue receive further study. The Committee believes that there may be other situations where the use of ESF assistance to repay existing military debt may be warranted and in the interest of the United States. The

Committee reserves final judgment on this matter, pending its hearings on the administration's fiscal year 1989 budget request.

While endorsing the idea that ESF balance-of-payments assistance can contribute to the achievement of important development objectives, the Committee does not absolve AID of the responsibility of ensuring that such development effects are maximized. As noted above, the Committee is aware that, in some cases, ESF cash transfer programs have been used very successfully to promote much needed economic policy reforms in recipient countries. In other cases, typically where other U.S. foreign policy or security interests are heavily involved, the requirement of policy reform as a precondition for assistance has been seriously watered down.

The Committee believes that ESF assistance which is provided in a program mode should be used to the maximum extent possible in support of development objectives through identifiable economic policy reforms at the macroeconomic and sectoral level. In those countries where a balance-of-payments crisis has abated, but it is deemed desirable to continue ESF assistance, ESF should increasingly be used for development projects or for sectoral assistance complementing the rest of the U.S. assistance program. In particular, the Committee believes assistance targeted to support of economic sectors can sustain previously achieved improvements in balance-of-payments accounts while, at the same time, overcoming specific policy, resource, institutional or other constraints in key economic sectors. Sectoral assistance is not appropriate for all countries or under all conditions, but the Committee believes that many of the countries for which assistance has been justified on macroeconomic grounds should be shifting toward greater sectoral programming which addresses development assistance objectives.

USES OF LOCAL CURRENCIES

The Committee is becoming increasingly concerned about AID's management of the very large amounts of local currency generated by ESF balance-of-payments assistance. These host country-owned local currencies, while not subject to the same legal constraints as dollar appropriations, should be jointly programmed by AID with ESF-recipient governments to enhance the developmental impact of the balance-of-payments program. Should AID assume nearly full discretionary control of programming and expenditure of these local currencies, as has happened in some countries, the Committee will not allow AID to use these funds outside the purview of the Committees on Appropriations.

EGYPT

The Committee once again has earmarked $815,000,000 in ESF assistance for Egypt. Of this amount, up to $115,000,000 may be provided in the form of a cash transfer with the understanding that Egypt will undertake significant economic reforms which are in addition to those undertaken in previous years. While the Committee would have liked to have given the administration the flexibility to provide additional cash transfer assistance for Egypt in response to, and in support of, comprehensive structural economic reforms that the Egyptian Government may have adopted, our own budget constraints have precluded that possibility.

Although the Committee is pleased to note that the Government of Egypt has entered into a program of economic reform under the auspices of the IMF, the Committee remains very much concerned over the continued deterioration of the Egyptian economy. Egypt's economic problems are as much a function of its own unwillingness or inability to undertake significant economic reforms as they are of external factors such as the deterioration of world oil prices. Egypt has received tremendous financial support from the United States in the past. This level of support has been both a reflection of our mutual interests in achieving peace in the Middle East and in resolving the fundamental economic problems confronting Egypt. The Committee's respect for the political leadership shown by the Government of Egypt remains undiminished. However, it is the Committee's view that more can and should be done by the Egyptians themselves to speed the pace of economic progress and growth.

From almost the very moment the Congress approved significant economic assistance levels for Egypt in the late 1970's, the Committee has been receiving reports from the administration of continuing economic dialog with the Egyptian Government aimed at addressing the numerous and costly inefficiencies that pervade the Egyptian economy. Quite frankly, the Committee believes that there has been precious little to show from all this dialog. Simply put, Egypt has not followed discussion with decisive action. The Committee reiterates its strongly held view that long-term economic viability can be achieved in Egypt only if the government is willing to implement a comprehensive structural economic reform program. The Committee further believes that any cash transfer assistance that is provided from funds appropriated in this bill, should be used in a way which complements such a reform program. The Committee will very carefully review, in this light, any notification proposing the obligation of cash transfer assistance for Egypt.

WEST BANK PROJECTS-JORDAN

The Committee bill provides $18,000,000 of ESF assistance for Jordan, with the expectation that a substantial part of this earmarked funding will be used in support of Jordan's development program for the West Bank. This initiative was formally proposed by King Hussein in November, 1986, and the Committee believes it offers the promise of improved living and working conditions for Palestinians on the West Bank and in Gaza. The Committee would like to further support this program, and would hope that the administration would again propose, as it did too late in fiscal year 1987, the transfer of funds into the ESF account in order to provide supplemental assistance for this activity.

In earmarking this assistance, the Committee notes that economic assistance to Jordan has declined sharply in recent years, dropping from $104,000,000 in fiscal year 1987, to the $18,000,000 earmarked in this bill. Moreover, Jordan bears a significant debt-servicing burden with required repayments to the United States on prior-year FMS loans exceeding $70,000,000 in fiscal year 1988. In consequence, the Committee believes that it is appropriate to search for additional means of providing assistance to Jordan. The Committee believes that an appropriate rescheduling of Jordanian debt would help to provide Jordan an opportunity to further economic reforms and enhance its ability to repay existing debt.

ADMINISTRATION OF JUSTICE

The Committee bill earmarks $20,000,000 of ESF funds for the Administration of Justice Program and extends the program through fiscal year 1989. The Committee continues to be supportive of this program which, it believes, provides a realistic alternative to the violence and vigilante justice which is all too commonplace in the Latin American region.

CASH TRANSFER ACCOUNTS

The Committee bill retains language in current law regarding the requirement to maintain ESF assistance which is provided in the form of a cash transfer in a separate account. The Committee continues to be interested in how ESF recipients of cash transfer assistance use these funds, and to ensure itself and the American taxpayer that such funds are being used properly. Therefore, the Committee has incorporated a notification requirement, distinct from the reprogramming notification requirement, for all proposed cash transfer assistance programs which are subject to the separate account requirement.

TIED AID CREDITS

As it did last year, the Committee bill places a ceiling of $5,000,000 on the use of ESF funds for tied aid credits unless the President makes a determination that additional funding is in the national interest. The bill, additionally, contains a new provision requiring the prior approval of the Administrator of AID of the use of ESF funds for tied aid credit purposes. The Committee also intends that the ceiling contained in the bill not be construed as affecting the use of funds for tied credits from projects or activities begun prior to the enactment of the Trade and Development Enhancement Act of 1983.

EL SALVADOR-DISASTER ASSISTANCE

The Committee bill provides that, of the funds earmarked under this account for El Salvador, $25,000,000 is to be used for earthquake relief, rehabilitation and reconstruction activities. Of the latter amount, at least $2,000,000 is to be used for the reconstruction of the National University of El Salvador and other institutions of higher learning.

The Committee is aware of reports in major American newspapers of widespread corruption and cronyism within the administration of President Duarte and is very much concerned that such allegations, involving a country in which the United States has invested so much economic and political capital, could erode support for continuing the levels of assistance currently provided for El Salvador. It is of concern to this Committee whenever allegations of corruption are made, but in this politically and strategically sensitive country such allegations take on particular significance.

The Committee has been made aware of the possible misuse of assistance provided in fiscal year 1987 for the rehabilitation and reconstruction efforts arising from the devastating earthquake that struck El Salvador in that year. Reports regarding U.S. assistance for housing reconstruction loans allege that upward of 30 percent of such loans were improperly made. The Committee is determined to get to the bottom of this issue and has, therefore, required that the AID inspector general monitor the uses of disaster assistance provided in this bill as well as provide the Committee with a detailed accounting of the uses of the funds appropriated for earthquake relief, rehabilitation and reconstruction assistance in fiscal year 1987.

ASSISTANCE FOR SOLIDARITY

The Committee bill earmarks $1,000,000 for assistance to the Polish Free Trade Union Solidarity. The same amount was provided as part of the Fiscal Year 1987 Supplemental Appropriations Act. It is the Committee's intention that the amount provided in this bill be used in the same manner as provided in the supplemental.

KENYA

The Committee recognizes the importance of the longstanding relationship between the United States and Kenya, as well as the importance of Kenya to the economic and political stability of East Africa. Kenya has long stood as an economic model for others to emulate, and its current economic growth rate of over 5 percent per annum attests to Kenya's serious commitment to economic reform. Most recently, Kenya has provided vital repair and resupply facilities to the United States Navy and has allowed the United States military access to its airfields. The importance of this relationship is magnified given the controversial nature of the U.S. presence in the Persian Gulf.

The Committee recognizes that there has been a sharp decline in fiscal year 1987 in the level of foreign assistance provided to Kenya, and understands that Kenya's aid levels for fiscal year 1988 will be under considerable pressure as a result of overall reductions in foreign assistance availabilities. Nonetheless, the Committee expects the administration to take into account the challenges Kenya faces as a regional political and economic leader, as well as Kenya's role as a strategic ally of the United States in East Africa, when fiscal year 1988 foreign assistance allocations are made.

GUATEMALA

The Committee recognizes the tendency of regional disputes to impair economic development and to deflect resources from their proper uses. As an expression to this country to encourage its democratic friends to peacefully settle their disputes, the Congress adopted section 703(g) of the International Security and Development Cooperation Act of 1985, which expressed the sense of the Congress that the United States should use its good offices to encourage the Government of Guatemala to recognize the independence of Belize and to enter into a nonaggression treaty with Belize. The Committee notes the more moderated treatment of the claim to Belize in the 1986 Constitution of Guatemala, which it regards as a step in the direction of resolution of this long-standing issue. The Committee hopes that further steps will be taken to encourage these two democracies to advance the cause of peace in Central America.

SAN SALVADOR ELECTRIC LIGHT CO.

The Committee wishes to see new investment attracted to El Salvador and believes that the flight of capital must be stemmed in order to promote economic development in that country. These objectives are impeded by the uncertainty surrounding the seizure without compensation of the assets and property of the United States-owned San Salvador Electric Light Co., [CAESS]. The Committee is informed that the Supreme Court of Justice of El Salvador has recently ruled the Government's action in seizing CAESS is unconstitutional. The Committee is hopeful that the Government of El Salvador will now move promptly to reach a fair and equitable settlement for all concerned.

SOUTH PACIFIC PROGRAMS

The Committee notes that the Senate unanimously ratified and the United States has now entered into a regional fisheries treaty with 16 separate Pacific Islands nations. This treaty was negotiated over a 2-year period and is a major breakthrough in beginning to resolve the highly contentious issue of access to fishing grounds. The Committee also notes that the Soviet Union has begun to exploit the vulnerability of the United States over this issue by establishing commercial arrangements with some islands states for the first time. The Committee, therefore, urges the Department to give high priority to the implementation of the treaty as expeditiously as possible.

PROMOTION OF DEMOCRACY IN CHILE

The Committee recommends $1,000,000 in additional support for the promotion of democratic activities in Chile leading to a transition to democracy. The Committee intends that the President furnish the $1,000,000 in funds through the National Endowment for Democracy, which has been used in the past to provide assistance for democratic activities in Chile.

ECONOMIC ASSISTANCE TO COSTRA RICA

The Committee is concerned that the obligation and disbursement of economic support funds to Costa Rica in fiscal 1987 was delayed for noneconomic reasons. The Committee expects that the rate of obligation and disbursement of ESF funds to Costa Rica in fiscal 1988 shall not be less than similar rates for other Central American countries receiving such assistance. The Committee continues to expect that all Central American countries will comply with their bilateral economic cooperation agreements. However, in preparing those agreements, priorities should be given to social equity concerns and programs of each government in the region. The Committee expects no later than June 30, 1988, a report from the Secretary of State detailing the level of ESF obligation and disbursement to Costa Rica, El Salvador, Guatemala, and Honduras.

AFRICA

The Committee recommends an earmarking of $50,000,000 in economic support fund assistance for Africa. The purpose of this funding is to provide aid to the most impoverished countries, particularly those affected by drought and which have pronounced difficulties in meeting the recurrent costs of AID-financed development projects.

AFRICAN DEVELOPMENT FOUNDATION

Appropriation, 1987	$6,500,000
Budget request, 1988	6,754,000
House allowance	7,000,000
Committee recommendation	7,000,000

The Committee's recommendation for the African Development Foundation [ADF] slightly exceeds the amount requested by the administration and is in recognition of the fine work that organization has done to promote small-scale enterprise and self-help activities at the grassroots level in Africa. The Committee encourages the ADF to explore ways in which its activities can most effectively complement those of other donors, and notes that the objectives of the ADF are, in part, similar to those supported by this Committee and contained in the bill for the separate appropriation for sub-Saharan Africa.

The Committee also would call attention to the section of this report dealing with the African Development Bank. The Committee thinks there is a good prospect for cooperation and collaboration between the Bank and the African Development Foundation and we encourage both parties to continue their ongoing negotiations.

INTER-AMERICAN FOUNDATION

Appropriation, 1987	$11,800,000
Budget request, 1988	11,300,000
House allowance	13,000,000
Committee recommendation	13,000,000

The Committee recommendation for the Inter-American Foundation [IAF] exceeds the level proposed by the administration. The IAF has enjoyed a longstanding and well-deserved reputation of excellence for its role in projects designed to reach the poorest members of society. In many instances, the IAF has been the only U.S. Government agency working to support the activities of private organizations and groups in Latin America in community development activities. By working with groups that do not often have access to foreign assistance, the IAF has placed itself in the position of being an innovator in self-help efforts to stimulate wider participation in the development process.

The Committee also notes that the IAF is unique in the bipartisan support it enjoys from the Congress. To its great credit it has taken an apolitical approach in determining the activities for which it would provide support, choosing instead to make its decisions on its evaluation of the needs of the poor of Latin America and the Caribbean. The Committee expects the IAF to guard against taking any actions which could introduce an element of partisanship into the administration of its program. To do so would only serve to work to the detriment of the people the IAF is chartered to assist, and would jeopardize the existing close and fruitful relationship between the Congress and the IAF. The Committee will continue to closely observe the activities of the IAF to ensure that this nonpartisan approach continues.

SOCIAL PROGRESS TRUST FUND

The Committee is aware that the IAF's primary source of program funds, the Social Progress Trust Fund administered by the Inter-American Development Bank, is being rapidly depleted. According to the Inter-American Development Bank, beginning in 1989 there will be less than $11,000,000 per year available for use by both the Foundation and the Bank. This compares with an annual $16,000,000 level during the period 1985 through 1988. Because of the sharing arrangement with the Bank, if the IAF were to receive only $6,000,000 per year from the trust fund (representing one-half of the total available resources for the trust fund beginning in 1989), that would represent a $10,000,000 decline from present availabilities.

Aware of this problem, the IAF adopted a resolution endorsing a position to seek for its use the full amounts remaining in the trust fund during the 1989–92 period. The Committee supports the resolution adopted by the IAF board, and will monitor closely the progress and outcome of the negotiations with the Bank, with the expectation that the Foundation's trust fund requirements will be satisfied.

COSTA RICAN GRANTS

The Committee is aware of a proposal that has been under consideration by the board of the IAF to authorize the repayment of certain grant funds to the IAF from grants approved in Costa Rica between 1985 and 1986. In this proposal, the amounts repaid (in effect, deobligated) to the IAF would be used for other activities of the IAF. The Committee believes that, absent express statutory authority for the reobligation of these funds, any deobligated grant funds would have to be returned to the Treasury. To reobligate them would represent an illegal augmentation of the IAF's appropriation.

OVERSEAS PRIVATE INVESTMENT CORPORATION

LIMITATION ON DIRECT LOANS

Appropriation, 1987	($23,000,000)
Budget request, 1988	(15,000,000)
House allowance	(17,250,000)
Committee recommendation	(23,000,000)

LIMITATION ON GUARANTEED LOANS

Appropriation, 1987	($200,000,000)
Budget request, 1988	(150,000,000)
House allowance	(175,000,000)
Committee recommendation	(200,000,000)

The Committee believes that OPIC's programs are highly productive in encouraging the participation of U.S. business in the economic growth of developing world economies. For this reason, the Committee recommendations for OPIC are the same as fiscal year 1987 levels. The introduction to Title IV of this report addresses in more detail the operations of OPIC.

PEACE CORPS

Appropriation, 1987	$137,200,000
Budget request, 1988	130,682,000
House allowance	142,200,000
Committee recommendation	146,200,000

The Committee strongly supports the Peace Corps. There is little doubt that the Peace Corps has become one of the most visible and successful mechanisms for promoting international peace and friendship while, at the same time, providing the people of the developing world with valuable technical assistance and expertise, particularly at the grassroots level, to enable them to improve the quality of their lives.

The Committee's recommended level for the Peace Corps reflects the American public's respect for its achievements. The level, although in excess of the administration's request, is the amount required to ensure an orderly achievement of the goal of placing 10,000 Peace Corps volunteers in the field by the year 1992. This goal has been adopted by the Congress and initial steps in the transition to an enlarged Peace Corps were funded in the fiscal year 1987 supplemental. In recommending increased funding for the Peace Corps, the Committee is mindful that, despite significant increases in population in developing countries, the number of Peace Corps volunteers has dropped from about 15,000 in 1966 to about 5,000 today. This unfortunate trend can be reversed; the Peace Corps receives more than 2,400 requests for assistance than it can fulfill, and 500 more volunteer applicants than its budget can finance. We recommend that the Congress provide the resources necessary to close this gap.

The Committee bill contains a provision which updates the Peace Corps' authority to acquire vehicles for use overseas. As modified in the bill, this authority, which has not been amended since 1961, makes applicable the provisions of section 636(a)(5) of the Foreign Assistance Act of 1961 in place of a fixed-dollar limit that is in current law. In place of the fixed-dollar limit, section 636(a)(5) establishes as a limit the current market price in the United States of a mid-sized sedan or station wagon meeting certain General Services Administration specifications (or, in the case of a vehicle with right-hand drive, 120 percent of that price). The Committee bill also makes inapplicable to vehicles required for the transportation, maintenance, or direct support of volunteers overseas provisions of law which would have the effect of limiting to $6,600 the price which the Peace Corps can pay for passenger motor vehicles. By reason of the condition of the roads and terrain over which volunteer-support vehicles must travel, that limitation is unrealistically low. The Committee believes that the Peace Corps should have the discretion to utilize its resources for the purchase of such vehicles as it considers necessary and cost effective.

The Committee bill also includes a provision, effective on the date of enactment, for the conversion of the appointments of a small number of Peace Corps employees from time-limited appointments to appointments for the duration of operations under the Peace Corps Act. The purpose of this provision is to remedy an unintended condition that arose in the employment status of certain long-term employees of the Peace Corps as a result of changes in personnel authorities of the Peace Corps. The Committee bill essentially restores the affected employees to the personnel status that they presumably now would have had these personnel authorities not been changed.

The Committee has also included a provision, amending the Peace Corps Act, to direct the Peace Corps, through the use of its existing contractual and other authorities, to assist activities of returning Peace Corps volunteers, as well as other individual agencies supporting such activities, to promote a better understanding of other people on the part of the American people. More than 120,000 Americans have served as Peace Corps volunteers in approximately 100 nations. The Committee believes that these individuals represent an invaluable resource of knowledge and insight into the problems confronting people in other societies and cultures.

The Committee wishes to support what it regards as a very promising initiative to establish a pilot program in nursing and medical and dental care. The proposal, which is in its formative stage, would join teams of American nurses, physicians and dentists with countries now hosting Peace Corps programs. At this stage in its development, the pilot programs would field two teams of nurses doctors and dentists to work in two countries where the Peace Corps has ongoing programs. The teams would be led by experienced health care providers and would be staffed by recent graduates of U.S. medical, dental, or nursing schools. Members would receive standard Peace Corps benefits.

The Committee directs the Peace Corps to devote sufficient resources in fiscal year 1988 to the funding of this pilot program. The Committee expects that the funding will be adequate to meet the costs of establishing a health team approach, whereby teams of doctors, dentists, and nurses would be used to train host-country nationals in the provision of health care services. Drawing on its experience over many years of funding paramedic and nursing programs in the Third World, the Committee stresses that it would be particularly beneficial to involve nurses in this program in order to foster the participation of host-country women in this training program. Additionally, such teams could offer direct health care services in conjunction with host-country counterparts.

The Committee expects the Peace Corps to report on establishment of a health team pilot program no later than March 31, 1988. On the basis of a review of the feasibility of this approach, the Committee may include in future appropriations resources necessary to continue and expand the program.

INTERNATIONAL NARCOTICS CONTROL

Appropriation, 1987	$118,445,000
Budget request, 1988	98,750,000
House allowance	98,750,000
Committee recommendation	85,000,000

This Committee has monitored closely the international narcotics activities of the Department of State for many years. In reviewing these activities once again, the Committee is struck by how little has changed. Despite years of efforts, and the enactment of new and expanded authorities empowering the executive branch, the international drug trade continues unabated.

It is clear to this Committee that there has been both a consistent failure on the part of the leadership of narcotics producing nations to move aggressively against illegal narcotics production and distribution and an unwillingness by the U.S. Government to use the full measure of its influence to convince the leadership of drug producing nations to achieve those objectives.

The Committee is struck by how little has changed in the years it has monitored the responsiveness of foreign governments to U.S. concerns about drug controls. For as long as this Committee has examined this issue, the effectiveness of the international narcotics control program has been undermined by the inaction of foreign governments.

For instance, the Department of State, in its 1987 narcotics control strategy report, restates the common observation that "lasting success will remain elusive until governments accept fuller responsibility for a problem that affects virtually every member of the international community * * *."

Fifteen years ago, there was another strategy report issued by an earlier President's Strategy Council on Drug Abuse. It reads as follows:

> The key factor in dealing effectively with the drug problem overseas is to motivate other governments to take action within their borders to move against drug traffickers * * * no amount of U.S. drug training or material assistance will prove effective in the absence of meaningful antidrug commitment by other foreign governments involved.

Unfortunately, it often appears that the U.S. Government is also not demonstrating the political will necessary to address the threat of illegal drugs. It is too often timid and indecisive in its dealing with nations that permit the production and distribution of illicit narcotics. While the Committee has found these shortcomings to be widespread, our concerns about the United States Government's failure of political will and its diplomatic indecisiveness were particularly aroused by press reports concerning the death of a United States Drug Enforcement agent, Enrique Camarena, who was kidnapped, tortured and killed in Mexico with the apparent complicity of certain Mexican police officials.

These reports indicate that one of the suspects sought by the DEA in connection with the killing of DEA agent Camarena is Ramon Matta Ballesteros. The reports describe Ramon Matta as the executive director of the illicit Mexican cocaine operation and one of the top narcotics traffickers in the world. It also is reported that Ramon Matta now resides in Honduras, where he has been beyond the reach of DEA.

If these press reports are true, the failure of the Department of State to convince the Honduran Government, which is a recipient annually of over $200,000,000 in United States assistance, to assist in bringing this man to justice for the torture and murder of a United States Government employee is very difficult to understand. Consequently, the Committee expects the Department of State, Bureau of International Narcotics Matters, drawing on the resources of the DEA, to prepare a full report on this matter and to provide it to the Committee prior to March 31, 1988.

Whether the failure of will in developing nations is the result of official corruption is a matter for law enforcement agencies of those countries to resolve. This Committee, however, must observe that the ability of the international community to work effectively together in combatting drug trafficking has been seriously undermined by ongoing public allegations and reports suggesting corruption and formal government involvement or, at the very least, involvement of some government officials in drug trafficking operations and in the laundering of proceeds from illicit narcotics transactions.

Of course, it may be argued that these are isolated instances of diplomatic failure. But when the Committee views this situation more broadly, it continues to be disturbed about the administration's lack of will in this area.

In enacting the Anti-Drug Abuse Act of 1986, the Congress firmly established the principle that the level of bilateral assistance that a nation receives should be directly related to its action in controlling illicit drug production or distribution. To achieve this policy, that act gave the President new tools to reduce illegal drug production. Section 2005 of the Anti-Drug Abuse Act requires that one-half of the bilateral assistance be withheld from any country that is not cooperating in the eradication or control of illegal drugs.

The State Department has reported that 19 nations have been certified as cooperating and 3 as not cooperating. These are listed below.

Certified as cooperating interest.—Bahamas, Belize, Bolivia, Brazil, Burma, Columbia, Ecuador, Hong Kong, India, Jamaica, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Panama, Paraguay, Peru, and Thailand.

Certified as vital national interest.—Laos and Lebanon.

Not certified as cooperating.—Afghanistan, Iran, and Syria.

It is no secret that, in many of the nations certified as cooperating, illegal drugs are grown, processed, or transported. It is obvious from comparing these lists that friendly nations have been certified as cooperating, and unfriendly nations have not been certified. The United States gave no aid to Syria, Afghanistan, or Iran in 1987 and none is requested in 1988, so mention of them on the list of noncooperating countries is of little consequence. Other countries, which are regarded as friendly are placed on the list of cooperating countries even though they continue broad participation in the illicit trafficking of narcotics. Clearly, other foreign policy considerations are driving U.S. determinations on whether a nation is cooperating in reducing or interdicting drugs.

The State Department's general failure of political will in this area also has been identified by the General Accounting Office [GAO]. Just 9 months ago, GAO, in examining bilateral assistance levels to major drug producing nations, reached the following conclusion: "* * * there is no consistent trend between a country's level of narcotics production and the level of foreign assistance received."

Regrettably, the Committee must conclude that the failure of our international drugs efforts marks a diplomatic failure of a decade's duration. The combined failure of political will by both the administration and foreign governments makes clear that the ultimate success of our antidrug international efforts cannot rest alone on programs to reduce the source of illegal drugs. It must also depend on the reduction in demand for drugs within the United States and other developed nations.

The fact is that the rewards of drug production are so large, and the amount of land needed is so small that the reduction of international sources will never be successful as long as there is massive demand for illegal drugs in the developed world. Moreover, the amount of funds expended by people in developed nations to import illegal drugs is astounding. The annual level of spending for illegal drugs in the developed world, while necessarily speculative, is estimated to be in the area of $100,000,000,000. If the value to the illicit producers is only one-tenth of the street value in developed countries, it is still enormous. By way of comparison, $10,000,000,000 is five times the level of U.S. aid that was given to all of the affected countries in 1986.

In light of this overall situation it is clear that no amount of U.S. spending dedicated to reducing the level of drug production alone will be successful. Nonetheless, source reduction efforts must continue. And those nations that make the hard political decisions to implement crop eradication and support must be fully supported.

BOLIVIA

This Committee and the Congress have reserved some of their harshest criticism for the Government of Bolivia. Legislation contained in prior appropriations and authorization acts has set severe standards for the Bolivian Government to meet in order to remain eligible for United

States assistance. The Committee is aware that cooperation with the United States on narcotics eradication matters can be not only politically risky, but also physically dangerous. Yet, the Government of Bolivia has made the hard choice and has shown, as demonstrated by its participation in Operation Blast Furnace, that it is willing to use force to bring about eradication. The Government of Bolivia has taken other steps to bring about substantial drug eradication. In March 1987, the Committee understands that the Bolivian Senate passed a bill outlawing all coca cultivation; the law is now pending before the lower house. In August 1987, after a series of fits and starts in negotiations, the United States and the Bolivian Government entered into a bilateral agreement committing Bolivia to the eradication of 1,800 hectares of coca cultivation over a 12-month period.

An unfortunate series of delays in the initiation of the coca eradication program kept Bolivia from eradicating, by September 20, 1987, the target number of hectares deemed necessary to show substantial progress and, accordingly, $8,700,000 in funds programmed for Bolivia were withdrawn and used elsewhere. We say unfortunate, because the funds were withdrawn just at the time when Bolivia was beginning to show marked progress in its eradication efforts. In October, the Department of State informed the Committee that Bolivia had eradicated an estimated 300 hectares of coca and that the program was moving forward despite the withdrawal of United States funds.

The Committee is pleased by the actions of the Government of Bolivia and we believe that we should take certain steps to signal our good faith with Bolivia in its eradication efforts. First, if by the time this report is presented to the Senate the Department of State has not released the remainder of fiscal year 1987 funds, the Committee believes that the Department should do so immediately. Second, while the Committee applauds the efforts of AID's Assistant Administrator for Latin America to ensure that strict limitations were placed on compensation of farmers for not growing coca, the Committee believes that AID and State officials should recognize the extraordinary risks being taken by the present Government of Bolivia and should accord appropriate discretion and flexibility to the Government of Bolivia in the use of funds intended to support the narcotics eradication effort.

Finally, to ensure that this unprecedented effort is sustained, the Committee has earmarked $15,000,000 of fiscal year 1988 international narcotics control funds for use only for programs for Bolivia. In addition, the Committee has modified bill language regarding Bolivia-specific certification requirements in recognition of the positive steps taken by that government. The Committee hopes to reinforce the position of those in the Bolivian Government who have acted so courageously to initiate the eradication process and to signal our concern that every effort be made to attain the eradication goals established in the agreement between the United States and the Government of Bolivia.

The administration has proposed the following allocation of international narcotics control assistance for fiscal year 1988:

INTERNATIONAL NARCOTICS CONTROL PROGRAM—FISCAL SUMMARY

[In thousands of dollars]

	Fiscal year 1986 actual	Fiscal year 1987 request [1]	Fiscal year 1988 request
Country program:			
Latin America:			
Bolivia	3,875	12,200	7,300
Brazil	690	1,500	2,500
Colombia	10,600	10,500	13,900
Ecuador	1,315	1,100	1,800
Jamaica		2,500	2,000
Mexico	11,600	15,500	16,900
Peru	3,741	6,700	8,500
Latin America regional	7,909	10,400	7,000
Subtotal	39,730	60,400	59,900
East Asia:			
Burma	6,285	9,500	13,000
Thailand	3,600	5,000	6,800
Subtotal	9,885	14,500	19,800
Southwest Asia:			
Pakistan	3,430	5,500	6,300
Turkey		745	1,400
Asia/Africa regional	313	1,000	450
Subtotal	3,743	7,245	8,150
Interregional aviation support		21,000	
Total country programs	53,358	103,145	87,850
International organizations	70	4,000	3,100
Interregional programs	3,925	6,500	4,800
Program development and support	2,618	4,800	3,000
Total INM Program	59,971	118,445	98,750

[1] Includes $53,000,000 from the Anti-Drug Abuse Act of 1986 (Public Law 99-570).

MIGRATION AND REFUGEE ASSISTANCE

Appropriation, 1987	$346,856,000
Budget request, 1988	314,450,000
House allowance	319,450,000
Committee recommendation	346,450,000

The administration has requested the appropriation of $314,450,000 for this program in fiscal year 1988. The administration proposes that this request be distributed as follows:

Migration and refugee assistance fiscal year 1988 budget request

Refugee admissions to the United States:	
Refugee processing abroad	$15,000,000
Transportation	31,000,000
Reception and placement grants	31,360,000
Training and orientation	17,190,000
Subtotal	94,550,000
Indochinese Refugee Program:	
UNHCR program in Southeast Asia	14,100,000
ODP	400,000
Antipiracy/Rescue at Sea Program	1,000,000
Khmer relief	12,500,000
Subtotal	28,000,000
African Refugee Program:	
Contributions to international organizations	57,500,000
Special projects	2,500,000
Subtotal	60,000,000
Near East Program:	
Relief for Afghan refugees	22,200,000
United Nations Relief and Works Agency	67,000,000
Subtotal	89,200,000
Latin American Program	15,500,000
Refugees to Israel	10,000,000
International organizations:	
Intergovernmental Committee for Migration	5,700,000
International Committee of the Red Cross	3,500,000
Subtotal	9,200,000

Migration and refugee assistance fiscal year 1988 budget request—Continued

Administrative expenses	$8,000,000
Total	314,450,000

NOTE.—The above table details the Department of State's budget request for the Office of Refugee Programs only. Activities carried out by the Office of the U.S. Coordinator for Refugee Affairs are funded by the Office of the Secretary of State.

The Committee recommends the appropriation of $346,450,000 for this account, $32,000,000 above the budget request.

The following table details the Department of State's administrative request for the Office of Refugee Programs:

Refugee related operating expenses fiscal year 1988 budget request

Object class:	
Salaries	$4,868,000
Benefits	867,000
Travel of persons	453,000
Transportation of things	56,000
Communications, utilities, and other rents	696,000
Printing and reproduction	44,000
Other services	835,000
Supplies and material	106,000
Equipment	75,000
Total	8,000,000

Administrative expenses.—The Committee is providing $8,000,000 for administrative expenses.

REFUGEE ASSISTANCE PROGRAMS

Background

It is estimated that there are 12 million refugees in the world today. The United States, in keeping with its longstanding commitment to uphold freedom by assisting those who are tormented by political persecution and homelessness, has adhered to a refugee policy which uses the tools of humanitarian assistance and resettlement to ease the plight of refugees. Often these are the only means of providing assistance until voluntary repatriation agreements are practicable, or local resettlement is agreeable to the refugees and to host governments.

Since 1975, the United States has resettled over 1,100,000 refugees from all parts of the world, including approximately 830,000 from Southeast Asia, and has assisted tens of millions more. The United States refugee program has been one of the most successful humanitarian efforts undertaken by our Government this century, largely due to the cooperative efforts of the donor and resettlement countries, international organizations, and the countries of first asylum hosting the world's refugee populations.

Since the passage of the Refugee Act of 1980, the Committee has sought to provide appropriations sufficient to sustain a humane and generous refugee program. The Committee believes that the fiscal year 1988 budget request submitted by the administration is insufficient to fulfill U.S. pledges to the refugees and to the host governments, and to maintain levels of assistance sufficient to address worldwide refugee requirements.

Admissions

The administration based its fiscal year 1988 budget request of $94,445,000 on a projected admissions ceiling of 55,000. Subsequently, the administration proposed to Congress a refugee admissions ceiling of 72,500, of which 4,000 were designated as unfunded allocations. The resulting increase of 13,500 in the admissions ceiling, coupled with the unforeseen costs of required AIDS screening, makes the administration's request grossly inadequate. It is estimated that to fully fund admissions program at the proposed ceiling of approximately $122,000,000 would be necessary.

The Committee recommends the appropriation of $111,000,000 for admissions for fiscal year 1988, and an additional $3,547,500 for the AIDS screening program. Further, the Committee recommends that the total amount for admissions (including AIDS screening) be earmarked to ensure that admissions funds not be used as a reprogramming source for other activities.

In earmarking these funds, the Committee stresses the importance of the admissions program in the implementation of U.S. refugee policy. In Southeast Asia, particularly, the readiness of host countries to provide protection of refugees in first-asylum camps is linked to an ongoing, predictable resettlement effort by the United States, Canada, France, and others.

The Committee emphasizes that the preservation of first asylum, and the protection of refugees throughout the world, should remain the cornerstone of U.S. refugee policy.

Finally, the Committee believes that the refugee carryover (that is, the number of refugees approved but not admitted to the United States in the same fiscal year) is an important index of dollar needs for program accounts. Therefore, to allow for accurate funding levels and to avoid reprogramming requests, the Committee directs the Bureau for Refugee Programs to enter fiscal year 1989 with a carryover from 1988 of at least 40 percent of the 1988 approved ceiling for Southeast Asia. This percentage is roughly equivalent to the estimates given each year by the Bureau, and allows for a smooth, orderly processing program. The Department must give Congress 90 days notice if it expects the 1989 carryover to be less than 35 percent of the ceiling for Southeast Asia for 1988, and given an explanation for this shortfall.

Hemispheric migration project

Beginning in fiscal year 1986, at the initiation of this Committee, the Department of State endorsed funding for a 3-year program, the hemispheric migration project. The commitment of funding was for approximately $700,000 per year, over 3 years. The project is off to a slower start than was anticipated and, as a result, funding in fiscal year 1987 totaled just $450,000. The Committee expects the Department of State to live up to its original funding commitment of $700,000 for this fiscal year, with a smaller amount being provided in the fourth year in order to meet the total funding commitment for the program. The Committee expects to be kept informed of this matter on a regular basis.

Southeast Asia

Repatriation continues to be the preferred solution to the problems facing over 600,000 people in East Asia refugee camps. However, political and economic conditions in the source countries (Laos, Vietnam, and Cambodia) continue to prevent the possibility of a safe and voluntary repatriation of more than a few refugees. Until the United States establishes a regular dialog with the source countries and can effectively safeguard the interests of the region's refugees involved in such repatriation agreements, resettlement will continue to be a necessary component of U.S. refugee policy in East Asia. Thailand, Hong Kong, and the other ASEAN countries have agreed to provide temporary asylum for the region's refugees in exchange for a commitment on the part of the United States and its resettlement partners to share in the burdens imposed by these massive refugee migrations. This partnership has been an exceptional humanitarian effort, enlisting the support of many countries. United States relationships with countries in the region have been strengthened, particularly with Thailand.

For a variety of reasons, the number of refugees resettled from East Asia has declined from 163,799 in 1980 to a projected level of 37,000 this year. Events of this past year, however, indicate beyond doubt that the level of protection and care afforded to the refugees in first-asylum camps is directly linked to the commitment by the free world to maintain a generous resettlement and assistance program. The Committee believes that a further decrease in the U.S. resettlement program would gravely jeopardize the hundreds of thousands of refugees presently in camps in East Asia and possibly precipitate forced repatriations. Accordingly, the Committee believes the United States must make its resettlement policy unequivocally clear, and renew its efforts in sustaining a truly international and humanitarian approach to the refugee problems of East Asia.

Information provided by the U.N. High Commissioner for Refugees [UNHCR] indicates that more than 50 percent of the 130,000 refugees in Southeast Asia UNHCR camps have been there for more than 4 years. The Committee recommends that the Department of State make a special effort to develop resettlement opportunities for this long-stayer population, and thus implement the recommendation on long-stayers in the 1986 Ray Commission Report.

UNHCR AND BORDER CAMPS IN THAILAND

In light of the Royal Thai Government's [RTG] announced intentions to transfer refugees from the Khao-I-Dang refugee camp to the border, the Committee expresses concern that the United States Coordinator for Refugee Affairs has not taken action on the 1986 Ray Commission recommendation that an additional review of rejected cases in Khao-I-Dang be conducted. There are now over 12,000 Cambodian refugees at

Khao-I-Dang who have been rejected by the United States as not meeting the definition of a refugee.

The Committee is informed that results of a computer survey of a portion of the rejected cases, conducted in September 1985 by United States Embassy staff in Bangkok, support the view that the criteria used in denying many Cambodians at Khao-I-Dang access to United States resettlement were arbitrary and restrictive. The Committee recommends that the Ray Commission call for a new review of these cases be implemented immediately, and that refugee status be denied only if there is specific, credible testimony or documentary evidence that the applicant actively collaborated with the Khmer Rouge.

One of the most discouraging developments in first-asylum camps has been the growing state of lawlessness at site II, a sprawling camp of 160,000 Cambodians in Thailand, 2 kilometers from Cambodia. Incidents of extortion, rape, murder, and torture now are commonplace, and yet there continues to be no international presence to give security to refugees after dark in site II or any of the other camps—the time when most such crimes occur. The Committee believes that the United States must insist on such an international presence at night at site II, and preferably at all Thai border camps. Further, the Committee believes that the United States should monitor the condition of detainees at Nam Pun refugee camp in order to avoid a recurrance of food shortages.

The Committee directs the Department to submit a report by January 31, 1988, explaining whether and how the new night patrol program of UNBRO or ICRC is operating, and if such a program is not operational, the detailed efforts made by the Department to effect such a program as well as other improvements in protection efforts. The Committee most certainly will address this problem in subsequent legislation, if steps are not taken to remedy the appalling protection problems at site II. The United States must encourage prosecution by the Thai of those responsible for crimes against refugees.

The Department is also directed to furnish the Committee quarterly reports, not later than 15 days after the completion of each quarter, on the protection situation at site II. These reports should include: the number of reported extortions, rapes, murders, and other crimes in the site II camp; information on efforts made by responsible officials to investigate these crimes; information on the frequency and duration of visits by U.S. Embassy personnel to site II, Khao I Dang, Ban Vinai, Phanat Nikom, and the places where the United States has access to Hmong and Lowland Lao screening facilities and detention centers. Separate figures should be provided for INS, Embassy officers, and JVA workers. The Committee believes that the United States Embassy refugee officers in Bangkok have a special duty to monitor conditions in all of the Thai camps and make their findings available on a regular basis. The Committee notes with encouragement the progress the United States Embassy in Bangkok has made the past several months and hopes that there will be a continued priority in the Embassy on this very delicate subject.

EDUCATION AT REFUGEE CAMPS IN THAILAND

For 4 years the Committee has urged the Department of State to fund education programs at the refugee camps in Thailand, particularly site II. For a number of reasons, no substantial education programs are being conducted in the refugee camps in Thailand. It is hoped that the overwhelming majority of the camp residents will one day return to their home country and, therefore, such educational programs are essential if refugees are going to be prepared to participate in the economic and political life of their home country. In light of the importance of these programs and the apparent reluctance of the Department of State to provided funding for them, the Committee bill earmarks at least $3,000,000 for education programs in Thai refugee camps. It is the intention of this Committee that these funds be spent for materials and teaching personnel, and not for buildings or other classroom structures. The Committee believes that the involvement of Thai nongovernmental organizations would be useful in reducing resistance on the part of the Thai Government to such programs.

INVOLUNTARY REPATRIATION

The Committee urges the Department of State to work with the Royal Thai Government [RTG] and UNHCR to ensure that forced repatriation of asylum-seekers is ended. While the Committee views these pushbacks with grave concern, it does note that these incidents reflect a growing impatience on the part of the RTG with what it regards as inadequate international support and interest. The Committee urges the Department to recognize the dangerous drift toward involuntary repatriation which takes place whenever the U.S. monitoring of first-asylum camps slackens, or whenever the U.S. commitment to the refugees is mistakenly perceived to be wavering. Moreover, the Committee urges the Department of State to work with the RTG and the UNHCR to grant asylum-seekers from Laos (lowland and highland) access to the screening program for admission to Thailand.

The November incident where scores of Hmong men, women, and children seeking asylum across the Mekong River were pushed back by local Thai officials and reportedly were immediately executed by Pathet Lao troops, is precisely the type of summary repatriation which this Committee finds objectionable.

Latin America and the Caribbean

The Committee is encouraged by the State Department's decision to pursue a more vigorous program in the region by working through the Intergovernmental Committee for Migration [ICM]. The Committee is also pleased to note the Secretary of State's directive to include processing category five for nonCuban Latin Americans. The Committee believes that the inclusion of P–5 cases will provide for the consideration of many more qualified family reunification cases.

The Committee notes with concern the increase in numbers of Surinamese Maroon refugees in French Guiana, and the lack of a

UNHCR presence to provide necessary protection to these refugees. The Committee requests that the Department provide it with a letter-report by January 1, 1988, analyzing this situation.

Near East and South Asia

The Committee notes two major discussions concerning repatriation involving the Government of India. A repatriation program for more than 125,000 Tamil refugees in India was included as part of the peace accord with Sri Lanka. Similar discussions have been taking place with Bangladesh for the repatriation of the more than 30,000 Chakma refugees in India. The Committee urges the Department of State to encourage India to invite the UNHCR to participate in and observe any repatriation programs. We also urge our own diplomatic representatives in India, Bangladesh, and Sri Lanka to closely monitor these situations to ensure that the rights of the refugees in question are fully respected.

Jewish refugees

The Committee has provided bill language that earmarks $25,000,000 for resettlement of Soviet, Eastern European, and other refugees resettling in Israel. This is in response, in particular, to the dramatic increase in the level of Soviet Jews emigrating to Israel. In July, the latest month for which figures are available, the number of Soviet Jewish refugees arriving in Israel exceeded the total for fiscal year 1986. There also have been unanticipated increases in the level of Romanian and Iranian Jews arriving in Israel. The Committee recognizes the financial burden of providing ongoing assistance for more than one-half the Ethiopian refugees who were brought to Israel in 1984 and 1985. In addition, the Committee has earmarked $8,000,000 for the construction in France of educational facilities for Jewish refugees from North Africa. These funds are to be made available to the nonprofit organization known as Ozar Hatora-le Tresor de la Loi in Paris, France.

Africa

The Committee believes that the United States should help to seek a solution for refugees detained at Shelembod camp. For those for whom resettlement is the only viable option, resettlement to other African countries should be explored. The Somali Government should be encouraged to allow ICRC and UNHCR access to Haway prison camp to separate prisoners of war and genuine refugees.

It is the Committee's view that the United States should encourage the UNHCR to pursue a more active protection function in the Mozambican border areas of Zimbabwe to preclude a repetition of the recent, massive forced repatriation of Mozambican refugees by Zimbabwean military forces.

EMERGENCY REFUGEE AND MIGRATION ASSISTANCE

Appropriation, 1987	$14,000,000
Budget request, 1988	
House allowance	
Committee recommendation	

The Emergency Refugee and Migration Assistance Fund currently has a balance of $11,000,000. Neither the administration nor the House deem it necessary to provide additional funding in fiscal year 1988. The Committee concurs.

ANTITERRORISM ASSISTANCE

Appropriation, 1987	$9,840,000
Budget request, 1988	9,840,000
House allowance	9,840,000
Committee recommendation	9,840,000

The Anti-Terrorism Assistance Program was first authorized in 1983. Since that time it has developed into a training program concentrating on airport, and harbor security, protection for individuals, and hijack crisis management. These training activities involve most of the program's funds. The program also makes grants of about $800,000 each year for airport security and related equipment.

In 1987 over 20 countries participated in training programs operated by the Anti-Terrorism Assistance Program. In 1988, about the same number of countries will receive such training. The administration projects that by the end of 1988 over 45 countries will be participating in some fashion in the Anti-Terrorism Assistance Program.

The Committee believes that the program plays a useful role in improving security in airports and similar facilities, and will provide the funds requested by the administration. The Committee must note, however, that such programs alone, do not appear to be able to significantly reduce terrorism. For example, information provided to this Committee by the Department of State shows that between 1981 and 1985, the number of terrorist incidents increased by 45 percent.

The Committee will also monitor this program carefully to insure that as it expands its activities, it does not become involved in unacceptable activities, such as police interrogation training.

Finally, the Committee expressed its concerns last year that a number of developed countries that could certainly afford to bear the costs of their own participation were receiving grant funding to participate in the program. Thus the Committee was disturbed to find in the 1988 justification that nations such as Japan and Spain are expected to participate in 1988. The Committee welcomes the participation of these nations in the program, but directs that they finance the costs of their participation.

TITLE III

MILITARY ASSISTANCE

MILITARY ASSISTANCE GRANTS

Appropriation, 1987	$950,000,000
Budget request, 1988	1,328,800,000
House allowance	712,000,000
Committee recommendation	620,750,000

The Military Assistance Program [MAP] was created by the Mutual Defense Assistance Act of 1949. The MAP program provided for the loan or outright grant of military equipment, materiel, or services by the United States to eligible friendly nations. In practice, nearly all items under MAP have been provided on a grant basis. The initial purpose of the MAP program was to strengthen the mutual defense and collective security of the non-Communist world. Thus, in the early years of the program, substantial aid was given to NATO countries and to other nations such as Korea and the Philippines. The MAP program was seen as a military complement to the Marshall plan. It provided aid to nations deemed vital to United States national interests in our effort to contain the expansion of Soviet power and influence.

In the early years of MAP its regional focus was on Europe. As many of our Western allies regained their economic strength and vitality, the focus of the MAP program shifted to nations in the developing world. In comparison to NATO, these less industrialized nations did not need the quantity of expensive U.S. military equipment for their military forces. As a consequence, funding levels for MAP declined, though some nations continued to receive it. MAP declined substantially in the 1970's as the U.S. Government began using loans as the principal means of providing military assistance.

In 1980 Congress authorized the merger of MAP funds with Foreign Military Sales [FMS] funds for foreign purchases from defense stocks or from new procurement. Since fiscal year 1982, the bulk of MAP funds have been merged with recipient countries' FMS accounts. These funds are now used, in effect, as a subsidy for military sales.

The Committee recognizes that MAP grants can be a useful element in the overall military assistance program. We are concerned, however, that the size of the MAP account has grown notably in the last 5 fiscal years, and administration requests for MAP have been extended to embrace 40 countries and regional programs in fiscal year 1988. The Committee believes that MAP funds should be reserved—as originally intended when the program began—for key nations that have severe financial problems. MAP is not to be provided to those countries that are in relatively better financial straits. In the Committee's view, the principal purpose of MAP funds is to maximize the ability of poorer countries, friendly to the United States, to purchase military equipment that is truly needed. MAP is not intended to be used for political purposes; it is intended to underwrite military programs of nations in need of security assistance.

The Committee further sees absolutely no reason why the MAP account should be used to fund a Civic Action Program for Africa that has goals that could just as readily be carried out through programs administered by the Agency for International Development. Nor is it clear that all of the MAP requests for Africa, Central America, and Asia are based upon a hard assessment of which programs are truly essential to U.S. national interests. In light of the marginal effects such programs have, especially in Africa, and in light of the severe budget constraints governing all U.S. military assistance accounts the rationale for continuing these programs is in need of reexamination.

The Committee is acutely aware of budget constraints and must allocate funds within them. It is not feasible to fund every request the administration would like to have approved. Citing how administration request levels have been significantly reduced is beside the point. The only relevant governing factor is the budget levels allocated to the Committee. Savings must be achieved wherever possible.

The Committee is thus reducing MAP general costs from $46,000,000 to $30,000,000. It is difficult to believe that some savings in MAP overhead cannot be achieved at a time when funds are insufficient to meet major country program requirements. The overall MAP allocation for fiscal year 1988 of $620,750,000 reflects the view of the Committee that other savings compelled by circumstances will be found by the administration.

The Committee also directs that the administration develop a current and clear set of guidelines for what constitutes appropriate assistance in kind [AIK] provided to U.S. Military Assistance Advisory Groups [MAAG's] worldwide to offset U.S. administrative expenses of these MAAG's. In addition, the Committee directs that a clear and current set of guidelines be developed by the administration for use by U.S. Embassies overseas in determining what is the proper value of AIK to be provided to MAAG's. The Committee is concerned that without the existence of such clear guidelines, the possibly exists that U.S. security assistance offices might be presented with conflicts of interest. The Committee directs that a full report of the actions taken to implement this directive be submitted to the Committee by March 31, 1988.

ASSISTANCE TO GUATEMALA

The Committee continues to support the positive changes that have taken place in Guatemala since President Cerezo took office in January 1986. Since that time, the Government of Guatemala has made significant progress in improving the security, economic, and human rights situation in that country. The Committee will provide $7,000,000 in military assistance to Guatemala in the interest of encouraging this welcome trend.

The Committee remains concerned that random killings and disappearances continue to take place in Guatemala. There are persistent reports that elements of both the military and police are involved in a number of these instances. In providing assistance to Guatemala, it is the Committee's expectation that such assistance will be helpful in assisting the government of President Cerezo in the investigation of abuses against civilians. Furthermore, it is the Committee's desire that those responsible for human rights crimes be brought to justice and that the civil institutions intended to protect the rights of the citizenry be strengthened.

In providing aid to Guatemala, the Committee expects that the Government of Guatemala will continue to make significant progress toward (a) achieving control over its military and security forces; (b) investigating and prosecuting human rights violations alleged to have been committed by the security or defense forces since January 1986; (c) eliminating kidnappings and disappearances, forced recruitment into the civil defense patrols, and other abuses of internationally recognized human rights by such forces; (d) respecting the internationally recognized human rights of the indigenous Indian population; and (e) completing negotiations for a permanent presence of the International Committee of the Red Cross.

The Committee directs the administration to provide a report to the Committee outlining specific improvements made in Guatemala under these five categories by February 1, 1988.

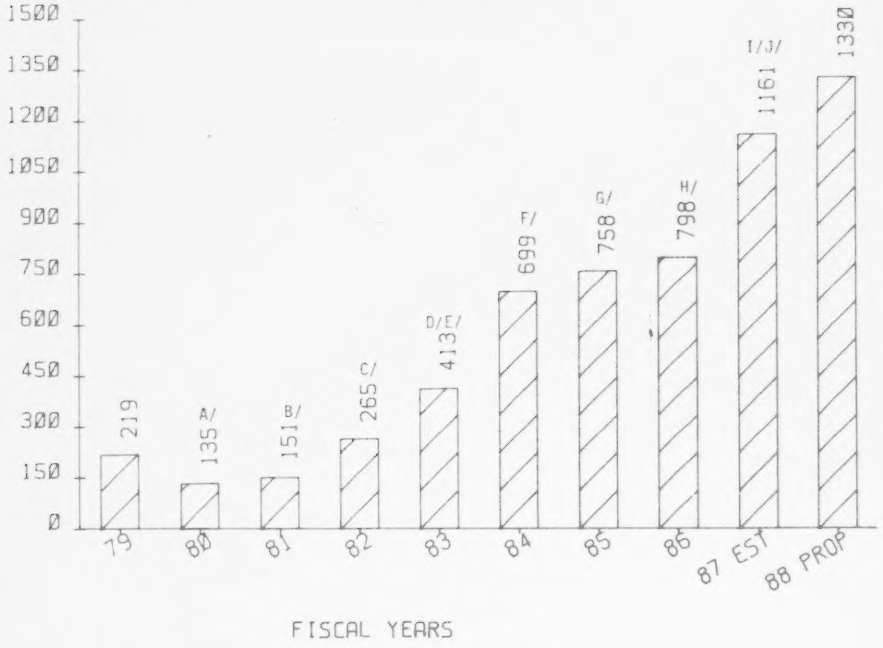
MILITARY ASSISTANCE PROGRAM

[In thousands of dollars

	Actual fiscal year 1986	Estimated fiscal year 1987	Supplemental request fiscal year 1987	Proposed fiscal year 1988
Country programs	701,591	903,750	261,000	1,283,800
General costs	48,854	46,250		46,000
Total obligations	750,445	950,000	261,000	1,329,800
Reimbursements from FMS trust fund				
Other reimbursements	2,960			
Unobligated balance, start of year		-50,000		
Unobligated balance, end of year	50,000			
Unobligated balance lapsing	889			
Budget authority (appropriation)	798,374	900,000	261,000	1,329,800
Outlays	753,344	198,307	39,158	516,021

The following graphs illustrate the funding of this program in current and constant dollars since fiscal year 1978:

MILITARY ASSISTANCE PROGRAM
FY 1979 - 1988
CURRENT DOLLARS IN MILLIONS



A/ Includes $1.1 million of section 506(a) drawdown authority.

B/ Includes $26 million of section 506(a) drawdown authority.

C/ Includes $55 million of section 506(a) drawdown authority.

D/ Includes a supplemental of $93.3 million.

E/ Includes $25 million of section 506(a) drawdown authority.

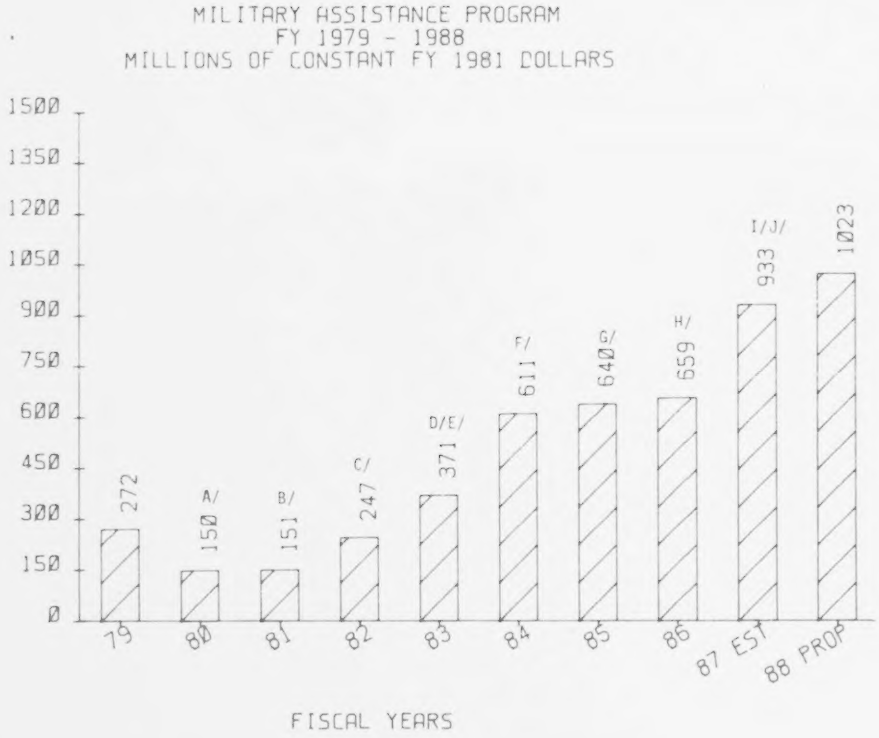
F/ Includes a supplemental of $201.8 million.

G/ Includes $18.5 million appropriated in fiscal year 1984 for Regional Military Training Center [RMTC] but reprogrammed in fiscal year 1985 as follows: $2 million for Costa Rica, $10 million for EL Salvador, and $6.5 million for Honduras.

H/ Includes $40 million of section 506(a) drawdown authority.

I/ Includes a supplemental request of $261 million.

J/ Includes a supplemental request of $15 million.



A/ Includes $1.2 million of section 506(a) drawdown authority.
B/ Includes $26 million of section 506(a) drawdown authority.
C/ Includes $51.2 million of section 506(a) drawdown authority.
D/ Includes a supplemental of $83.8 million.
E/ Includes $22.5 million of section 506(a) drawdown authority.
F/ Includes a supplemental of $176.3 million.
G/ Includes $15.6 million appropriated in fiscal year 1984 for Regional Military Training Center [RMTC] but reprogrammed in fiscal year 1985 as follows: $1.7 million for Costa Rica, $8.4 million for EL Salvador, and $5.5 million for Honduras.
H/ Includes $33 million of section 506(a) drawdown authority.
I/ Includes a supplemental request of $209.8 million.
J/ Includes $12.1 million of section 506(a) drawdown authority.

The following table provides country level detail of the current and proposed Military Assistance Program.

MILITARY ASSISTANCE PROGRAM BUDGET AUTHORITY/OBLIGATIONS

[in thousands of dollars]

Country	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
East Asia and Pacific:			
Fiji	287		300
Indonesia		10,000	
Philippines	88,280	100,000	110,000
Thailand	4,785	50,000	50,000
Regional total	93,352	160,000	160,300
Near East and South Asia:			
Jordan		39,941	40,000
Morocco	33,495	32,000	50,000
Tunisia	38,280	32,500	40,000
Yemen	1,914	1,000	3,000
Regional total	73,689	105,441	133,000
Europe:			
Portugal	66,990	80,000	85,000
Turkey	205,755	312,059	550,000
Regional total	272,745	392,059	635,000
Africa:			
Africa civic action/health	4,785	3,906	6,000
Botswana	3,350	1,500	5,000
Cameroon		500	
Central African Republic		500	1,000
Chad	5,742	5,000	9,000
Djibouti	1,914	1,000	2,000
Equatorial Guinea	957		1,000
Guinea	1,914	1,000	3,000
Kenya	19,140	7,500	19,000
Liberia	4,785	1,000	3,000
Madagascar	1,435	500	1,000
Malawi	957	500	1,000
Niger	3,828	1,500	3,000
Senegal	2,870	1,000	2,000
Somalia	19,140	7,500	22,000
Sudan	16,140	5,000	10,000
Zaire	6,699	4,000	10,000
Regional total	93,656	41,906	98,000
American Republics:			
Antigua-Barbuda[1]	1,813	600	1,850
Barbados[1]	1,097	550	850
Belize	479	500	1,000
Bolivia	1,435	2,000	8,000
Colombia	3,250	3,000	7,500
Costa Rica	2,393	1,500	2,000
Dominica[1]	336	900	850
Dominican Republic	3,828	1,500	2,000
Ecuador		3,000	7,500
El Salvador	120,367	115,000	118,000
Grenada[1]	546	825	850
Guatemala	5,000	2,000	7,000
Haiti	1,664	1,000	4,000

See footnote at end of table.

MILITARY ASSISTANCE PROGRAM BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
American Republics—Continued			
Honduras	60,114	60,000	80,000
Jamaica	7,656	3,000	6,000
Panama	3,828	5,844	3,000
Peru			3,000
St. Christopher-Nevis[1]	408	750	850
St. Lucia[1]	341	725	850
St. Vincent and Grenadines[1]	2,637	650	900
Uruguay			1,500
Regional total	217,192	203,344	257,500
Other:			
Antinarcotics armaments	957	1,000	
Financial adjustment	−2,071		
General costs	48,854	46,250	46,000
Total	47,740	47,250	46,000
Total budget authority/obligations	798,374	950,000	1,329,800

[1] These countries comprise the Eastern Caribbean.

NOTE: Countries included in Eastern Caribbean are Anguilla, Antigua, Barbados, British Virgin Islands, Dominica, Grenada, Montserrat, St. Christopher-Nevis, St. Lucia, and St. Vincent and the Grenadines.

Below is a list of the names and assignments of those flag and general officers currently assigned to the Military Assistance Program:

Flag and general officers

Officer and country	*Assignment*
Lt. Gen. Charles W. Brown, USA	Director, DSAA.
Maj. Gen. Thomas W. Kelly, USA	Commander, USA Security Affairs Command.
Brig. Gen. D.L. Kaufman, USAF	Director, International Programs, DCS, Programs and Resources.
Maj. Gen. James R. Klugh, USA	Assistant Deputy Chief of Staff for Logistics, Security Assistance.
Maj. Gen. Richard A. Pierson, USAF, Greece.	Chief, JUSMAG.
Rear Adm. Gerald L. Riendeau, USN, Spain.	Chief, JUSMAAG.
Maj. Gen. William E. Potts, USA, Turkey.	Chief, JUSMMAT.
Maj. Gen. John R. Farington, USAF, Saudi Arabia.	Chief, USMTM.
Maj. Gen. Todd P. Graham, USA, Korea.	Chief, JUSMAG.
Maj. Gen. Andrew L. Cooley, USA, Egypt.	Chief, OMC.
Brig. Gen. W.H. Riley (USA)	USA Project Manager, SANG Modernization Program.

Flag and general officers—Continued

Officer and country	*Assignment*
Maj. Gen. Charles E. Teeter, USA, Philippines.	Chief, JUSMAG.
Brig. Gen. Herbert M. Wassom, USA, Pakistan.	Chief, ODRP.
Brig. Gen. Peter W. Lash, USA, Thailand.	Chief, JUSMAG.

INTERNATIONAL MILITARY EDUCATION AND TRAINING

Appropriation, 1987	$56,000,000
Budget request, 1988	56,000,000
House allowance	56,000,000
Committee recommendation	47,400,000

The International Military Education and Training Program [IMET] request for fiscal year 1988 totals $47,400,000. The program would be funded in the following manner:

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
International Military Education and Training Program	$52,146,000	$56,000,000	$56,000,000
Unobligated programs	-407,000		
Total obligations	51,739,000	56,000,000	56,000,000
Unobligated balance lapsing	407,000		
Budget authority (appropriation)	52,146,000	56,000,000	56,000,000
Outlays	55,102,000	57,417,000	57,256,000

The administration's proposal would provide instruction and training in military skills and U.S. military doctrine to the armed forces and military civilian personnel of friendly countries as shown in the following table:

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

BUDGET AUTHORITY/OBLIGATIONS

[In thousands of dollars]

Country	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
East Asia and Pacific:			
Burma	263	269	260
Fiji	81	100	100
Indonesia	1,914	2,000	2,000
Korea	1,821	2,000	2,000
Malaysia	900	1,000	1,000
Papua-New Guinea	40	50	50
Philippines	2,403	2,600	2,600
Singapore	47	50	50
Solomon Islands	8	30	30

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
East Asia and Pacific—Continued			
Thailand	2,206	2,200	2,200
Tonga	38	50	50
Regional total	9,721	10,349	10,340
Near East and South Asia:			
Algeria	44	100	100
Bangladesh	272	275	300
Egypt	1,702	1,750	1,750
India	309	400	500
Jordan	1,785	1,800	1,800
Lebanon	468	475	475
Maldives	31	30	30
Morocco	1,435	1,525	1,450
Nepal	86	100	100
Oman	41	150	150
Pakistan	942	900	915
Sri Lanka	160	160	160
Tunisia	1,449	1,525	1,450
Yemen	1,167	1,150	1,100
Regional total	9,891	10,340	10,280
Europe:			
Austria	68	60	60
Finland	51	60	60
Greece	1,246	1,250	1 250
Iceland	27	40	40
Ireland		40	30
Luxembourg	30		30
Portugal	2,336	2,550	2,550
Spain	2,352	3,000	3,000
Turkey	3,194	3,300	3,500
Yugoslavia	61	100	100
Regional total	9,365	10,400	10,620
Africa:			
Benin	59	75	75
Botswana	334	335	335
Burkina Faso	40	50	50
Burundi	139	150	140
Cameroon	220	250	250
Cape Verde	39	50	50
Central African Republic	122	140	125
Chad	188	200	200
Comoros	27	40	40
Congo		40	40
Djibouti	120	135	135
Equatorial Guinea	61	75	75
Gabon	148	150	150
Gambia	55	60	60
Ghana	213	225	225
Guinea	155	150	150
Guinea-Bissau		50	30

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
Africa—Continued			
Ivory Coast	128	150	150
Kenya	1,538	1,600	1,600
Lesotho		50	50
Liberia	863	900	900
Madagascar	81	75	75
Malawi	187	200	200
Mali	154	150	150
Mauritania	59	75	75
Niger	231	250	250
Nigeria	94	100	100
Rwanda	75	75	75
Sao Tome and Principe	48	50	50
Senegal	465	475	475
Seychelles	24	50	35
Sierra Leone	60	70	70
Somalia	1,106	1,250	1,250
Sudan	893	1,000	1,000
Swaziland	42	60	50
Tanzania		35	35
Togo	51	60	60
Uganda		100	100
Zaire	1,294	1,300	1,300
Zimbabwe	190	150	175
Regional total	9,503	10,400	10,355
American Republics:			
Antigua and Barbuda[1]	45	50	50
Argentina		10	50
Bahamas	46	140	100
Barbados[1]	69	70	70
Belize	73	80	70
Bolivia	143	400	400
Brazil		10	50
Chile			50
Colombia	1,006	950	1,400
Costa Rica	222	230	450
Dominica[1]	46	50	50
Dominican Republic	691	700	1,000
Ecuador	715	650	950
El Salvador	1,431	1,500	1,875
Grenada[1]	75	80	80
Guatemala	356	400	600
Guyana			50
Haiti	233	550	550
Honduras	1,045	1,200	1,530
Jamaica	295	300	300
Mexico	189	200	275
Panama	557	550	600
Paraguay	98	125	150
Peru	629	700	700
St. Christopher-Nevis[1]	27	50	50
St. Lucia[1]	48	50	50

See footnote at end of table.

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Actual fiscal year 1986	Estimated fiscal year 1987	Proposed fiscal year 1988
American Republics—Continued			
St. Vincent and Grenadines[1]	51	50	50
Suriname	39	50	50
Trinidad-Tobago	50	50	50
Uruguay	99	125	125
Venezuela	100	125	200
Panama Canal area military schools [PACAMS]	2,302	2,100	2,100
U.S. Army School of the Americas [USARSA]	2,852	2,820	
Regional total	13,532	14,365	14,075
General costs	135	146	330
Worldwide total	52,147	56,000	56,000

[1] These countries comprise the eastern Caribbean.

NOTE: Countries included in Eastern Caribbean are Anguilla, Antigua, Barbados, British Virgin Islands, Dominica, Grenada, Montserrat, St. Christopher-Nevis, St. Lucia, and St. Vincent and the Grenadines.

PROGRAM BACKGROUND

The International Military Education and Training [IMET] Program began as an integral part of the original MAP program. IMET was established to provide instruction on a grant basis to foreign military personnel and some civilians involved in defense affairs. Such instruction may be provided through attendance at military facilities (other than U.S. service academies) in the United States or abroad, attendance at schools and research institutes in the United States or abroad, or visits to military facilities and related activities in the United States or abroad. The statutory purposes of the IMET program are to encourage effective and mutually beneficial relations and mutual understanding between the United States and foreign countries, to improve the participants' ability to use resources obtained from the United States, thus enhancing their self-reliance, and to increase the participants' awareness of basic issues involving internationally recognized human rights.

To achieve the objectives of the IMET program, the U.S. military departments make available a wide variety of courses in the United States and abroad, including professional military education at U.S. war colleges, technical, and maintenance training, flight training, and English language training. The Department of Defense also provides an informational program to assist trainees in acquiring a balanced understanding of U.S. society, institutions, and goals. Ultimately, the emphasis of the IMET program, as with its predecessor, is training officials who occupy, or are likely to occupy, influential positions in foreign military establishments.

Since its inception in 1950 as part of the MAP program, over 500,000 foreign officers and enlisted personnel have been trained through IMET. More than 2,000 participants have been trained in different specialties—from basic technical skills to professional military education. In 1976, the IMET program was formally established as a military assistance component separate from the MAP program.

The Committee believes that the IMET grant program has proven to be a valuable element in the U.S. military assistance effort. But, as with other programs in this title, the funding level requested must be reduced due to severe budgetary constraints imposed upon the Committee. Accordingly, the Committee is allocating $47,400,000 in fiscal year 1988 for the program. The Committee is convinced that grant IMET funds are being used in countries where the ability to pay for military training is not in question and in other countries where the rationale provided for a country program is at best questionable. Savings are clearly possible in such instances, and the Committee is confident that the administration will achieve them in a way that will place emphasis on developing military-to-military relationships that are the most vital to U.S. national interests.

The Committee believes that the use of mobile training teams [MTT] to provide in-country training under the IMET program is especially desirable. Training provided to foreign countries by MTT's working in the environment within which the trainees must themselves operate, is more likely to be responsive and suited to local conditions. It is also likely to be more cost effective on a cost per trainee basis than similar training provided in the United States. Accordingly, the Committee encourages the greater use of MTT's in the IMET program.

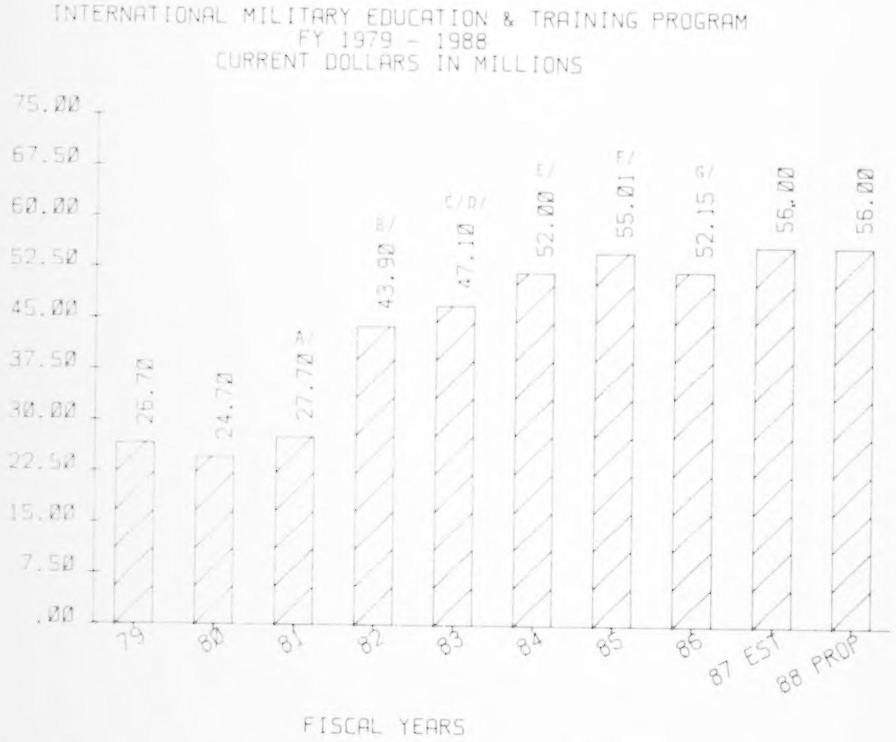
The Committee, in furtherance of a basic goal of IMET, believes that foreign military officers who visit the United States under the Professional Military Education [PME] Program should meet with senior congressional officials and staff on a regular basis. This would clearly enhance their understanding of the U.S. democratic institutions and enhance their awareness of the role of Congress in our constitutional system. The Committee would, therefore, be interested in meeting with a number of these foreign military officers from time to time. The Committee directs that the appropriate IMET program managers take steps necessary to facilitate such meetings.

The Committee recommends the appropriation of $47,400,000 for the IMET Program

ASSISTANCE TO BRAZIL AND ARGENTINA

The Committee recommends the adoption of a proviso which would declare Brazil and Argentina to be eligible for assistance under the "International military education and training" account.

The following graphs detail the amount provided for this program in both current and constant dollars since fiscal year 1978:



A/ Includes $0.8 million of funding provided under MAP section 506(a) drawdown authority.

B/ Includes $3.2 million of funding provided under MAP section 506(a) drawdown authority.

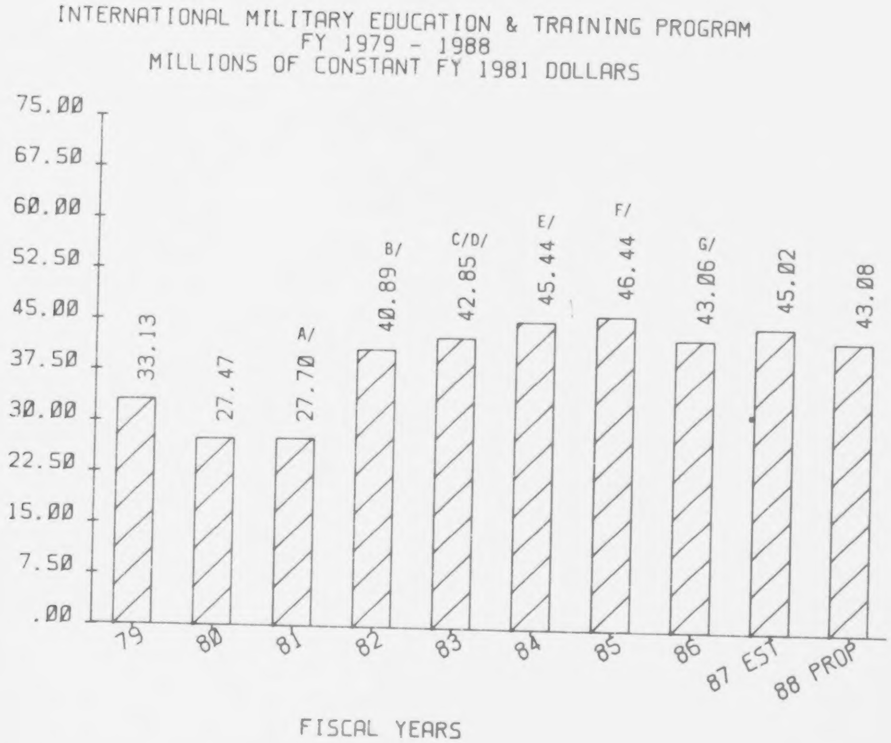
C/ Includes a supplemental of $1 million.

D/ Includes $3.8 million of funding provided under MAP section 506(a) drawdown authority.

E/ Includes $2.1 million of funding provided under MAP section 506(a) drawdown authority.

F/ Includes $0.5 million of funding provided under MAP section 506(a) drawdown authority.

G/ Includes $0.1 million of funding provided under MAP section 506(a) drawdown authority.



A/ Includes $0.8 million of funding provided under MAP section 506(a) drawdown authority.

B/ Includes $3 million of funding provided under MAP section 506(a) drawdown authority.

C/ Includes a supplemental of $0.9 million.

D/ Includes $3.4 million of funding provided under MAP section 506(a) drawdown authority.

E/ Includes $1.8 million of funding provided under MAP section 506(a) drawdown authority.

F/ Includes $0.4 million of funding provided under MAP section 506(a) drawdown authority.

G/ Includes $0.8 million of funding provided under MAP section 506(a) drawdown authority.

FOREIGN MILITARY CREDIT SALES

Appropriation, 1987	$4,053,441,000
Budget request, 1988	4,421,150,000
House allowance	3,891,145,000
Committee recommendation	4,227,000,000

The Foreign Military Sales [FMS] credit program was established by the Mutual Security Act of 1954, and from the mid-1960's into the 1970's gradually came to displace the MAP grant program as the largest military assistance program of the United States. The purpose of the FMS credit program since its inception has been to help friendly foreign governments finance the purchase of U.S. defense articles and services. The credit program, when established, was seen as a logical progression from a military assistance program that had formerly been composed almost exclusively of grants. It has been used to help foreign purchasers graduate from the use of U.S. grant military assistance, with the expectation that, at some point, foreign purchasers of U.S. defense articles will no longer require either grants or even credits to purchase needed military equipment from the United States.

Throughout its history, the FMS financing program has provided assistance through two types of loans—direct and guaranteed. Through direct loans, the Department of Defense finances procurement of defense articles and services out of funds specifically appropriated for that purpose. Direct loans require appropriations for the full amount of the principal to be loaned. Because such funds must be appropriated they are shown in the budget as new obligational authority—they are on budget. From fiscal year 1955 until fiscal year 1965 nearly all FMS loans were direct loans. Guaranteed loans, by contrast, did not require full appropriations and were not shown in full in the budget as obligational authority—they were off budget. From the mid-1960's until 1980, Congress appropriated a percentage of the loan guarantees issued during each fiscal year for a reserve account to cover missed payments of borrowers (see discussion under Guaranty Reserve Fund).

The Defense Department was first authorized to extend guaranteed loans in the early 1960's. DOD issued guarantees to cover FMS loans issued by the Export-Import Bank (until 1968), private financial institutions, and suppliers who made direct commercial sales. The borrowing country negotiated the terms of the guaranteed loans with the lender, although the U.S. Government did not sanction variable rate loans as a matter of policy. When the U.S. Government felt that loans at concessional interest rates were appropriate, it made direct loans.

The Congress, in 1973, established the Federal Financing Bank [FFB] at the Department of the Treasury to centralize control of the debt issuances of Government agencies and thus to ensure a more orderly marketing of U.S. debt instruments. At that time, the Defense Security Assistance Agency [DSAA], the element of the Department of Defense responsible for managing the FMS loan program, discontinued its practice of directly guaranteeing loans with private financial institutions. Since fiscal year 1974, DSAA has worked exclusively through the Federal Financing Bank in issuing FMS guaranty loans.

During the period from fiscal year 1974 through fiscal year 1984, nearly all FMS financing in the form of guaranteed loans was provided at market interest rates through the Federal Financing Bank. During this same period (fiscal year 1974–84) few nations received any FMS direct loans. Of those that did, Israel and Egypt, collectively, received most of all such loans that were made. Since fiscal year 1985, all new FMS loans have been direct loans, on budget and require appropriations for the full amount of their principal.

In summary, from fiscal year 1955 until fiscal year 1965, nearly all FMS loans were direct loans, and beginning in the early 1960's, the FMS program included direct and guaranteed loans. From fiscal year 1974 through fiscal year 1984, most FMS loans were guaranteed loans—although Israel and Egypt both received significant amounts in direct loans. From fiscal year 1985 to the present all FMS loans have been direct loans.

Although the FMS financing program requires repayment by the recipient governments for loans received, from fiscal year 1974 until fiscal year 1984 two nations Israel and Egypt (with the singular exception of Sudan in fiscal year 1982) had important portions of their FMS loan repayments waived. From fiscal year 1985 forward, all FMS loans to Israel and Egypt have had their repayments waived.

Since repayment is not required in these circumstances, these loans have been the equivalent of grants. These waived or forgiven loans, when made, have been funded through full appropriations in the fiscal year provided.

A review of the FMS credit program makes it evident that it has not evolved in a systematic way; rather it has been modified in an ad hoc fashion without serious attention having been paid to the larger implications of the program's use. Close adherence to a central original purpose of the program—to provide financing to friendly nations for truly necessary military equipment—has not been the practice of the executive branch in recent years. Military assistance in general, and the FMS credit program in particular, has become as much a program of political support for recipients as it is a key means of enhancing military capabilities.

When the shift away from grant MAP assistance to FMS credits occurred in the early 1970's, it was not done with the intent to substitute one form of dependency on U.S. military aid for another. A fundamental underlying principle of the U.S. military assistance program from the beginning has been that allied and friendly nations who receive such assistance should—at the earliest time possible—graduate from reliance upon U.S. aid. It was never intended that American military aid recipients continue to be financial wards of this country. To the contrary, it was intended that nations allied with or friendly to the United States should use U.S. military aid to hasten the day when they would assume a greater share of the burden of individual and collective self-defense.

The concept of a Foreign Military Sales credit Program is a valid one. Yet the approach to implementing it in recent years has had the effects of increasing already serious debt burdens of some nations, and encouraging certain recipients to purchase weapons and create military force structures that they cannot reasonably be expected to maintain without receiving continuing external support.

Due to the expansive and explosive manner in which Foreign Military Sales credits have been made available since the 1970's, many recipient countries have also been permitted to develop wholly unrealistic notions regarding the levels of such assistance they could expect to receive from the United States in future years. At the same time these nations were at least implicitly led to believe that if their military credit purchases created serious financial problems for them, the United States would take actions to relieve these debts.

Two examples illustrate these points. In the mid-1970's the executive branch adopted the practice of providing extended repayment terms to selected countries that received FMS guaranteed loans. Under this arrangement, the recipient nation had the loan period extended from 12 years to 30 years, with the proviso that for the first 10 years of the loan it would only be responsible for making payments on the interest obligation. Among the nations that received such loans were Israel, Egypt, Sudan, Somalia, Greece, and Turkey.

The inherent problem with such loan arrangements is that they only pushed off the basic debt obligation. From the 11th year on, each nation holding such a loan would be responsible for payment of both principal and interest. In the years prior to that time, they would have paid interest without retiring a dollar of the loan principal. At the same time these nations would almost certainly have acquired other debt burdens. Depending upon individual financial circumstances, servicing such loans in their last 20 years could create significant payment problems for the borrower.

A second FMS loan practice adopted at the end of the Carter administration was what is termed "cash flow" financing. This method of financing works as follows. In a normal major weapons purchase, DOD reserves FMS credits or MAP funds for the full value of an FMS case, even though actual payments may be spread over several years. For cash flow financing, DOD reserves initially only the first fiscal year's payments from FMS credits or MAP, with the clear expectation that additional amounts of FMS credits or MAP will be reserved during each succeeding fiscal year in which payments become due.

In basic terms, cash flow financing permits a nation to place more purchase orders up to its credit limit in a given fiscal year than would normally be the case. Each cash flow sale specifies that the purchasing country will make any payments that exceed U.S. financing available in the out years so that they can make budgetary plans for this contingency.

The principal argument in favor of cash flow financing is that it increases the purchasing power of a nation's FMS credits by allowing it to buy more equipment now while spreading the financing of that equipment over several years. The implicit assumptions of cash flow financing are, however, that the United States will continue to appropriate sufficient funds each fiscal year to permit nations using this method of payment to cover their minimum debt obligations, and that the purchasing nation's budgetary situation will make it possible to pay for all the weaponry it has contracted for.

The principal problems inherent in cash flow financing are these:

> First, the method limits the flexibility of the Congress to determine how to allocate FMS funding from one fiscal year to the next. If it is known that friendly nations have already undertaken significant purchases using cash flow financing, it makes it difficult to cut the FMS financing levels for them lest it create severe budgetary problems for those nations.
>
> Second, as the United States itself has fewer funds to allocate for the FMS credit program, automatically tying up funds at the beginning of a fiscal year to cover the cash flow needs of a limited number of countries may well mean that other nations that require FMS credits may not be able to obtain them.

Despite its surface attractiveness, cash flow financing, in the end, may not serve the interests of recipient countries either if they use it injudiciously to purchase items that are truly not immediately needed but are purchased because such favorable financing arrangements are available. Cash flow financing can be a means of creating an additional debt burden that can lead to financial disaster in individual cases.

At present only Egypt and Israel have their FMS programs fully financed by cash flow procedures. For other countries, DOD selectively approves cash flow financing for individual major sales. DOD estimates that a minimum of $3,107,000,000 will be required to meet cash flow commitments through fiscal year 1988. This total is comprised of the following: Israel—$1,256,000,000 (which includes $400,000,000 for offshore procurement); Egypt—$970,400,000; Turkey—$369,500,000; Spain—$265,000,000; Pakistan—$123,500,000; Portugal—$79,600,000; Honduras—$22,600,000; and Indonesia—$20,000,000.

As the size of the FMS debts owed to the United States grew after 1980, especially after the annual percentage appropriation for the Guaranty Reserve Fund was ended, time and again questions were raised regarding the potential negative implications of the growing debt obligations of U.S. FMS creditors. These circumstances are set out more fully in the Guaranty Reserve Fund discussion. It is sufficient to note here that despite glib reassurances provided by the executive branch in the past that the debt problems of our FMS borrowers were under control, circumstances have proven otherwise. Thus in fiscal year 1988, in light of the cumulative negative effect of years of half-measures in dealing with the problems of FMS debt service, the Committee will no longer be party to what has become a fiscal charade. Strong and effective measures must be undertaken now to rectify the misguided approaches of the past. The Committee is prepared and determined to play its role in consultation with the executive branch to implement such measures.

—The Committee proposes permanent indefinite spending authority to cover losses arising from defaults or reschedulings of debt due to the Guaranty Reserve Fund. Appropriate safeguards are recommended to forestall premeditated default.

—The Committee proposes language strengthening existing authorities to allow the President to sell or transfer existing guarantees of FMS debt, thereby reducing the debt servicing burden of heavily indebted FMS recipients.

The Committee wishes to make clear its position on other matters of consequence involving FMS credits. In the last decade, a practice has developed of using FMS credits (and, in some cases, MAP funds) to, in effect, secure military base facilities or base access rights in nations friendly or allied to the United States. This practice has given some nations the view that they have an entitlement to a portion of the military assistance account for merely enhancing the ability of the U.S. military to promote the security of those that host bases as well as the non-Communist world.

The Committee wants to make it unmistakably clear that it will not be party to a military aid bidding war involving military base access rights. The United States does not pay friendly or allied nations for the right to advance the collective security interests of the free world. There are shared costs and benefits in an alliance or partnership relationship with the United States. There is also no more pernicious concept than the view that the United States must pay some form of military assistance to a friendly nation for the right to protect it.

The Committee strongly reminds nations that have or are negotiating military base access agreements with the United States, that, under our Constitution, no President—nor any of his representatives—can commit this Committee or the U.S. Congress to pay or obligate 1 cent to them in order to ensure that the U.S. obtains or retains access to foreign military bases. The Committee emphasizes that it will consider all requests for military assistance on their individual merits, consistent with the budgetary constraints under which it must operate. The Committee will not be guided in its actions by any threats, stated, or implied, from any government that failure to appropriate a given level of military assistance will result in loss of access to any foreign military base by U.S. military forces.

In making this commentary on the FMS program, the Committee is wary of being perceived as opposed to all forms of military assistance. To the contrary, the Committee wishes to note that it believes that developing countries have legitimate needs for U.S. military assistance in the form of FMS credits or MAP grants, as the case may be. However, the Committee reiterates its intention to determine what is an appropriate level to be provided by measuring the level of stated need of each nation against the total budgetary resources available for obligation.

Greece/Turkey.—The Committee recommends earmarks of $490,000,000 for Turkey and $343,000,000 for Greece. These levels of assistance provide funding recommendations based on the historic 7-to-10 ratio which Congress has consistently supported. In accord with the curtailed spending available for all foreign assistance programs, the Committee has recommended reductions in funding requested for Greece and Turkey. To partially offset these reductions and, more importantly, in recognition of the difficulties Greece and Turkey are having in making effective use of FMS credits, the Committee also recommends the FMS be provided to these two countries and a repayment forgiven basis.

The Committee also recommends language requiring: (1) that any article on the United States munitions list which is provided to Greece or Turkey shall only be provided with the expressly stated expectation that it will not be transferred to Cyprus or otherwise used to further the severance of Cyprus, and; (2) the President report to the Congress on any substantial evidence that equipment provided to Greece or Turkey has been used in a manner inconsistent with the expressly stated condition on the transfer.

Cyprus envoy.—The Committee recognizes that there are historic differences which divide the parties to the Cyprus dispute. Repeated attempts to achieve resolution have foundered on suspicion, mistaken intention, and a host of deeply seated resentments which find their origin in a centuries old conflict of culture and national aspiration.

Nonetheless, the Committee believes that there is promise in advancing a new approach which can build on constructive efforts of the past. It is time to begin again. For far too long this dispute has been allowed to fester and to poison the relationship between two staunch friends of America, who are also important NATO allies.

For far too long this Committee has been buffeted by the appeals of Americans who bring to us often diametrically opposed allegations and charges branding one or the other of the parties to this dispute as having violated the rights of the other. Quite frankly, the Committee has not been in a position to reconcile these differing accounts. We do not have sufficient independent and unbiased information on which to assess the accuracy of these charges. Consequently, without making any particular finding, the Committee again calls on all parties to the Cyprus dispute to actively seek its resolution and to avoid taking any action which might impair settlement of the dispute.

The Committee views any progress toward a resolution of the Cyprus issue as contributing to peace and security in the region and so furthering the foreign policy interests of the United States. Greece and Turkey are long and valued friends of the United States—countries which have benefited over the years from both generous American foreign assistance and from the advice and mediation efforts of American statesmen. Therefore, having examined the question of Cyprus closely, the Committee now offers a recommendation which it believes will contribute to the cause of peace and stability in the Eastern Mediterranean.

In the spirit of friendship and cooperation, the Committee proposes that a special ambassadorial commission for Cyprus and the Aegean be established. This commission would endeavor to find a just and lasting settlement to the Cyprus dispute by working closely with Greece and Turkey on peaceful ways in which their national interests could be safeguarded and in a manner which helps Greece and Turkey address the aspects of their bilateral relationship which divide them.

The Committee amendment requires the appointment within 30 days after the enactment of this act of a special Ambassador to promote the task of reconciliation and to foster a renewed and sustained bilateral dialog between Greece and Turkey. His job would be to facilitate direct negotiations between the parties to the Cyprus dispute and to ascertain the most promising manner in which formal discussions might be commenced. In addition, the Ambassador would make the good offices of the United States available to both Greece and Turkey in whatever manner they feel would promote dialog on Aegean issues.

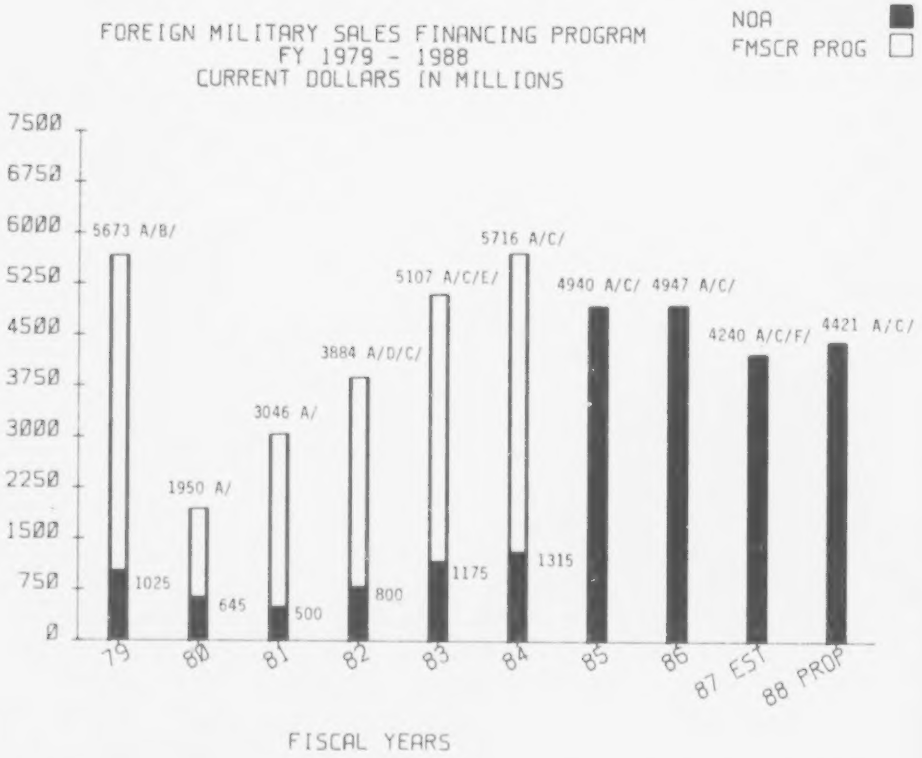
The Committee amendment also requires that the President submit a report to the Congress no later than June 1, 1988, on the progress of the speical Ambassador and the means by which he has gone about his task of effecting a resolution of the Cyprus dispute. The Committee amendment provides that the activities of the special ambassadorial commission be funded by both Greece and Turkey through a contribution of $500,000 to be made available out of the respective FMS appropriation earmarked for each country.

For nearly five decades the United States has contributed to the betterment of relations between nations in the conflict. The United Nations and the International Court of Justice are but two examples of American leadership in the cause of peace. Our citizens and our institutions have given generously of their time and energy in the service of global understanding, and over the years have earned the respect of men the world over for these efforts. Now, at this critical juncture in the history of these two ancient Mediterranean cultures, it is the hope of this Committee that the United States will continue, once again, in this proud tradition and through this proposal contribute to the process of a Greek-Turkish reapproachment on the Island of Cyprus.

LAVI Aircraft Program.—The Committee is supportive of the decision by the Israeli Cabinet to cancel the Lavi fighter aircraft project. This Committee had been supportive of the Lavi project in the past but now accepts the Israeli Cabinet's assessment that the project would ultimately prove to be too expensive for Israel and not bring economic returns sufficient to make the project viable. The Committee supports the administration's decision to allow Israel to use FMS credits to pay termination liability charges for Lavi contracts previously approved by the U.S. Defense Security Assistance Agency. Similarly, we support the administration's decision to authorize Israel to continue to use directed offsets in FMS contracts. With respect to Israel's offshore procurement authority, the Committee has seconded the administration's proposals by specifying in the text of the bill that the level of offshore procurement authority is to be $400,000,000 in fiscal year 1988. We would have every intention of extending that authority in fiscal year 1989.

The Committee intends to provide extraordinary flexibility to Israel in its use of U.S. assistance. However, our responsibility to the Senate to maintain oversight of the funds we recommend for appropriation requires that we be kept informed. Therefore, the Committee expects to be consulted on the specific intended use of this authority before any agreement on its use is concluded between the United States and the Government of Israel.

The following graphs detail the amount provided for this program in both current and constant dollars since fiscal year 1978:



A/ Includes nonreimbursable financing for Israel as follows: Fiscal year 1979 to 1981, $500 million annually; fiscal year 1982, $550 million; fiscal year 1983, $750 million; fiscal year 1984, $850 million; fiscal year 1985, $1,400 million; fiscal year 1986, $1,722.6 million; fiscal year 1987, $1,800 million, fiscal year 1988, $1,800 million.

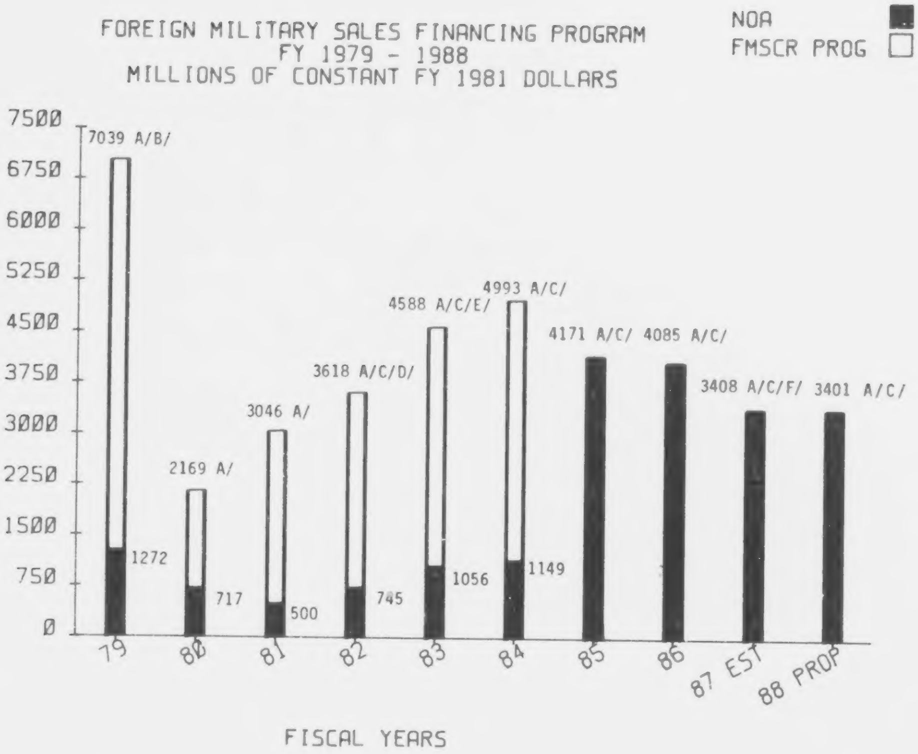
B/ Includes supplemental authorization of $1,500 million for Egypt and $2,200 million for Israel.

C/ Includes nonreimbursable financing for Egypt as follows: Fiscal year 1982, $200 million; fiscal year 1983, $425 million; fiscal year 1984, $465 million; fiscal year 1985, $1,175 million; fiscal year 1986, $1,244.1 million; fiscal year 1987, $1,300 million, fiscal year 1988, $1,300 million.

D/ Includes $50 million nonreimbursable financing for Sudan.

E/ Includes a supplemental of $293.5 million.

F/ Includes a supplemental request of $200 million.



A/ Includes nonreimbursable financing for Israel as follows: Fiscal year 1979, $620 million; fiscal year 1980, $556 million; fiscal year 1981, $500 million; fiscal year 1982, $512 million; fiscal year 1983, $674 million; fiscal year 1984, $743 million; fiscal year 1985, $1,182 million; fiscal year 1986, $1,422 million; fiscal year 1987, $1,447 million, fiscal year 1988, $1,385 million.

B/ Includes supplemental authorization of $1,861 million for Egypt and $2,730 million for Israel.

C/ Includes nonreimbursable financing for Egypt as follows: Fiscal year 1982, $186 million; fiscal year 1983, $382 million; fiscal year 1984, $406 million; fiscal year 1985, $992 million; fiscal year 1986, $1,027 million; fiscal year 1987, $1,045 million, fiscal year 1988, $1,000 million.

D/ Includes $47 million nonreimbursable financing for Sudan.

E/ Includes a supplemental of $264 million.

F/ Includes a supplemental request of $161 million.

The proposed FMS Program is detailed in the following chart by region and country:

FOREIGN MILITARY SALES FINANCING PROGRAM—BUDGET AUTHORITY/OBLIGATIONS

[In thousands of dollars]

	Actual fiscal year 1986		Estimated fiscal year 1987		Proposed fiscal year 1988 concessional
	Treasury	Concessional	Total	Concessional	
East Asia and Pacific:					
Indonesia		19,140	19,140		20,000
Korea	162,690		162,690		
Malaysia	1,484		1,484		4,000
Philippines		14,355	14,355		
Thailand	42,347	38,184	80,531		10,000
Regional total	206,521	71,679	278,200		34,000
Near East and South Asia:					
Egypt		1,244,100	1,244,100	[1]1,300,000	[1]1,300,000
Israel		1,722,600	1,722,600	[1]1,800,000	[1]1,800,000
Jordan	19,140	62,205	81,345		12,000
Morocco		957	957	12,000	
Oman	9,140		9,140		5,150
Pakistan	311,025		311,025	312,500	290,000
Tunisia		25,839	25,839		
Regional total	339,305	3,055,701	3,395,006	3,424,500	3,407,150
Europe:					
Greece	83,546	347,104	430,650	343,000	435,000
Portugal	9,570	33,495	43,065		40,000
Spain	382,800		382,800	105,000	265,000
Turkey	79,288	330,165	409,453	177,941	235,000
Regional total	555,204	710,764	1,265,968	625,941	975,000
Africa:					
Cameroon					2,500
Gabon					2,500
Kenya				3,000	
Regional total					5,000
American Republics:					
Ecuador	1,914	1,914	3,828		
Panama		3,828	3,828		
Regional total	1,914	5,742	7,656		
Worldwide total	1,102,944	3,843,886	4,946,830	4,050,441	4.421,150

[1] Repayment forgiven.

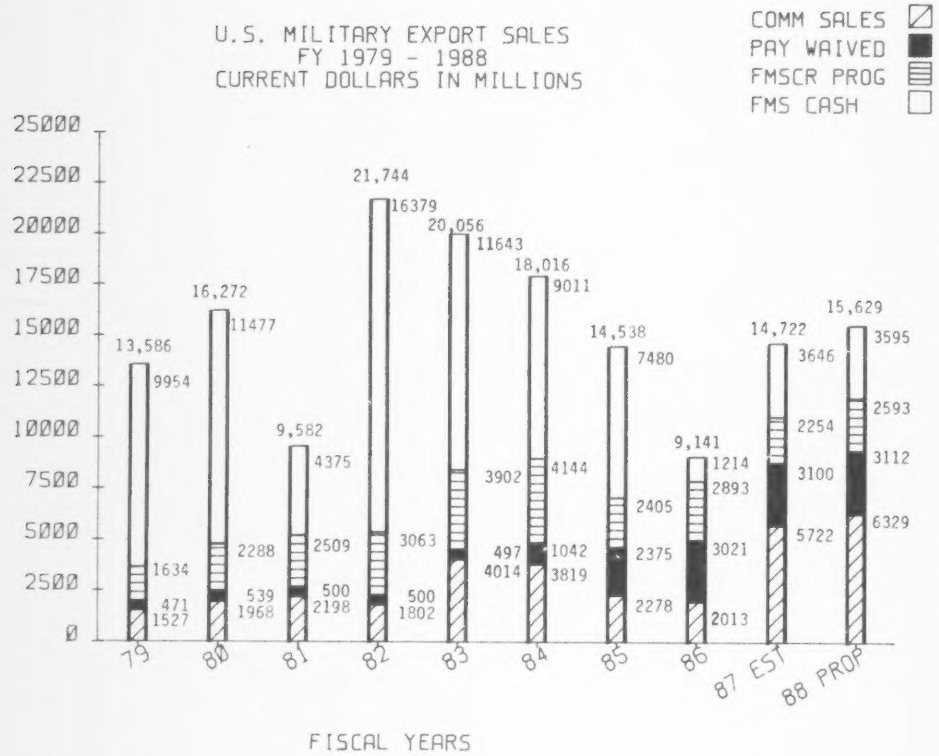
The administration proposed to finance the fiscal year 1988 Foreign Military Sales Credit Program in the following manner:

FOREIGN MILITARY SALES CREDIT PROGRAM

[In thousands of dollars]

	Actual fiscal year 1986	Estimated fiscal year 1987	Supplemental request fiscal year 1987	Proposed fiscal year 1988
Foreign Military Sales Credit Program	4,966,830	4,051,441	200,000	4,421,150
Repayment forgiven for Israel	(1,722,600)	(1,800,000)		(1,800,000)
Repayment forgiven for Egypt	(1,244,100)	(1,300,000)		(1,300,000)
Other concessional rate loans	(897,130)	(950,441)	(200,000)	(1,321,150)
Treasury rate loans	(1,103,000)			
Budget authority (appropriation)	4,966,830	4,050,441	200,000	4,421,150
Outlays	4,763,135	3,895,938	30,000	2,941,713

Following is a graph showing the relationship between Foreign Military Sales Credits to total U.S. military export sales in current and constant (1979) dollars:

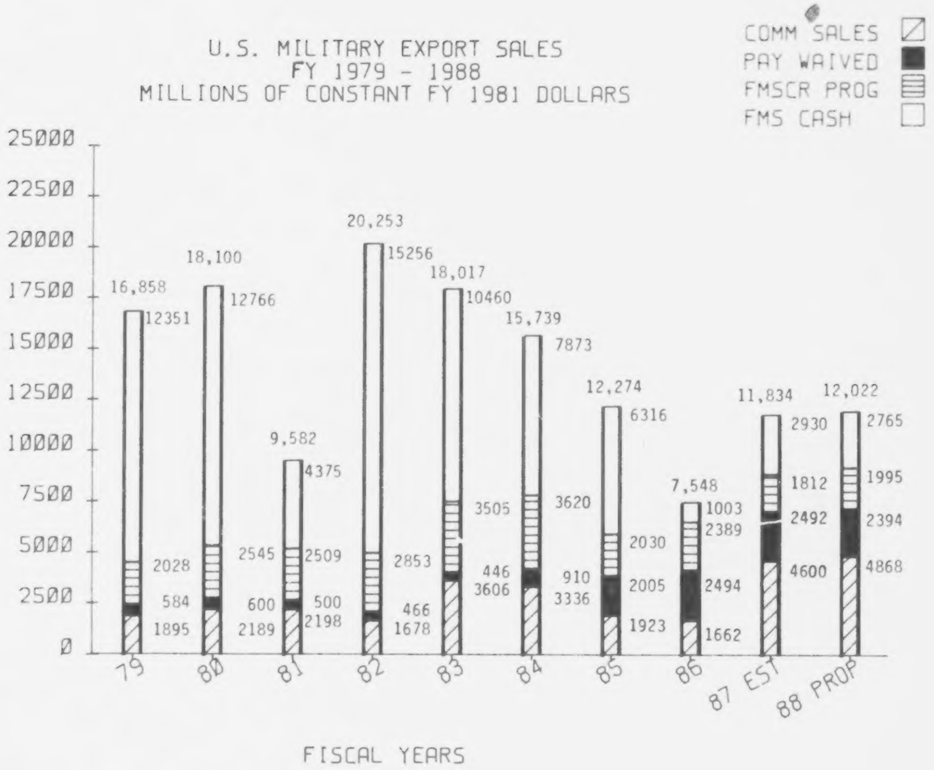


Commercial sales.—Deliveries (as distinguished from sales orders) by U.S. industries to foreign purchasers which are not administered by the Department of Defense. Data for fiscal year 1979 through fiscal year 1986 are based on value of exports to foreign countries and international organizations which licenses were issued by the Office of Munitions Control, Department of State.

FMS sales payment waived.—Represents amounts disbursed from direct loans for which repayment has been waived, extended pursuant to the provisions of the Arms Export Control Act, in the current and/or prior years.

FMS credit sales.—Represents amounts disbursed from loans (direct, guaranteed and MAP merger) extended pursuant to the provisions of the Arms Export Control Act, in the current and/or prior years.

FMS cash sales.—Sales orders (as distinguished from deliveries) for which payment is made either cash in advance or, if the President so determines, within a reasonable period of time not to exceed 120 days after delivery of the article(s) or the rendering of service(s).



Commercial sales.—Deliveries (as distinguished from sales orders) by U.S. industries to foreign purchasers which are not administered by the Department of Defense. Data for fiscal year 1979 through fiscal year 1986 are based on value of exports to foreign countries and international organizations which licenses were issued by the Office of Munitions Control, Department of State.

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FMS cash sales.—Sales orders (as distinguished from deliveries) for which payment is made either cash in advance or, if the President so determines, within a reasonable period of time not to exceed 120 days after delivery of the article(s) or the rendering of service(s).

SPECIAL DEFENSE ACQUISITION FUND

Appropriation, 1987	$315,820,000
Budget request, 1988	350,000,000
House allowance	236,865,000
Committee recommendation	250,000,000

The Special Defense Acquisition Fund [SDAF] was created in 1981 as a revolving fund to finance the purchase of high-demand defense articles and services in anticipation of FMS or MAP transfer program requirements. SDAF allows the Defense Department to order and acquire materials before a foreign country requests them. DOD can use these advance procurements to deliver needed defense equipment to eligible countries more rapidly than through normal production and procurement, and without diverting or withdrawing this equipment from U.S. military forces. SDAF's existence thus reduces the prospect that the United States might be confronted with the choice of turning down a request for defense articles by a friendly nation in need of such items in less than the normal manufacturing time or fulfilling the requirement by diverting equipment from stocks of U.S. forces, and thereby possibly degrading their military readiness.

Prior to SDAF's creation, various receipts associated with sales of defense equipment by the military services were deposited in a Treasury Department miscellaneous receipt account. At the time it was created, and since, SDAF has been capitalized with DOD moneys that previously reverted to the Treasury, including asset use charges, charges for the proportionate recoupment of nonrecurring research, development, and production costs, and the sales of defense articles and services acquired with SDAF funds. By law (section 114(c) of title 10 United States Code) the size of the fund cannot exceed $1,070,000,000 cumulatively. This limit applies to the total of the amounts in the fund plus the value of defense articles held or on order by the SDAF.

Funds existing in SDAF may be obligated by the Defense Department for the purchase of selected defense articles and services. Annual appropriation acts specify the amounts in the fund that are available for obligation during the given fiscal year. Since SDAF's creation, it has been used in every fiscal year by DOD to procure high demand defense articles. These articles have included, for example, missiles of various kinds, ammunition, torpedoes, howitzers, military radios, and communications equipment. Amounts provided for SDAF since fiscal year 1982 are as follows: fiscal year 1982—$125,000,000; fiscal year 1983—$125,000,000; fiscal year 1984—$225,000,000; fiscal year 1985—$325,000,000; fiscal year 1986—$325,000,000; fiscal year 1987—$315,820,000.

For fiscal year 1988 the Committee is setting the obligation ceiling for SDAF funds at $250,000,000. The Committee believes that the levels of funds expended under SDAF have been reasonable in the past, but that this limit is necessary to reinforce selectivity and caution in ongoing procurements. The Committee would like to emphasize that it intends to preserve the original purpose of SDAF. Accordingly, the Committee will not support any proposal to expand the existing authority to use SDAF for other purposes. The Committee most emphatically will not support the creation of a special Presidential drawdown authority for SDAF.

PEACEKEEPING OPERATIONS

Appropriation, 1987	$31,689,000
Budget request, 1988	46,311,000
House allowance	31,689,000
Committee recommendation	31,689,000

For fiscal year 1988 the administration is requesting the appropriation of $46,311,000 for activities funded under the "Peacekeeping operations" account.

The administration's request includes $10,688,000 for the United States contribution to the U.N. Forces in Cyprus and $35,623,000 for the Multinational Force and Obervers [MFO] in the Sinai.

The Committee has considered the administration's request for peacekeeping operations and has found insufficient justification for appropriating what has been termed a $5,623,000 shortfall in the fiscal year 1987 contribution to the MFO in the Sinai. The Committee recommends the appropriation of $31,689,000, an amount equal to that which was provided last year and equal to the amount recommended by the House Appropriations Committee.

TITLE IV

EXPORT ASSISTANCE

As components of the International Development Cooperation Agency [IDCA], AID, OPIC, and TDP all share the common objective of promoting economic development in the Third World.

In contrast, the Export-Import Bank's [Exim] principal mandate is to assist in financing U.S. exports to both developing and developed countries. There are, however, strong links between the IDCA agencies and Exim, and their resources can be used to complement the respective activities of each agency. Each IDCA agency attempts to attain its objective in a manner which is mutually beneficial to both developing nations and the United States alike.

AID puts emphasis on meeting the basic human needs of developing countries through programs which include the transfer of technology and the adoption of policies which lead to increased private enterprise, while at the same time strengthening the nations economic stability. One of AID's approaches for promoting economic development is to assist the building of private enterprise in developing countries by using the resources available from the Bureau for Private Enterprise. The bureau helps AID missions in more than 70 countries address the needs of developing nations in building up their private sectors. It does this by encouraging overall policy reform, by promoting the divestiture of publicly held companies, and by training nationals of developing countries in skills related to the business sector. A revolving fund managed by AID, is responsible for making loans to either private businesses or financial intermediaries in developing countries.

Overseas Private Investment Corporation [OPIC].—OPIC is also a development agency. It promotes investments in projects in developing countries which are either partially or wholly owned by U.S. companies. OPIC promotes investments through direct loans, loan guarantees, or by providing political risk insurance for U.S. investors. OPIC complements the work of AID, TDP, and Exim in several ways. For example, OPIC has a specialized program to provide insurance to U.S. exporters who are bidding on projects. In so doing, OPIC will insure the bond which is put up during the bid to ensure against the arbitrary drawing down of the bond by an agency in a developing country. OPIC has also helped augment Exim financing through their loan guarantee program. In this regard, OPIC teamed up with both Exim, the International Finance Corporation, and AT&T recently in a successful bid by AT&T to finance the laying of a major undersea cable between Guam and the

Philippines. In certain cases where Exim may not be able to operate in a country, OPIC has been able to step in and play a role necessary to help capture a major project for U.S. firms. OPIC has complemented the work of AID by working closely with the AID revolving funds. For example, OPIC and AID have teamed up on a major fish processing plant in Mauritius by each providing a loan to a joint venture company formed by United States and local investors. AID provided a loan to a local company in Mauritius and OPIC provided a loan to the United States company which was also investing in the development project. A distinct feature of OPIC is that it is a self-sustaining (nonappropriated) U.S. Government agency.

Trade and Development Program.—The Trade and Development Program [TDP] complements the work of AID, OPIC, and Exim by helping not only to foster economic development but also to open up export markets for U.S. firms. In this regard TDP is the principal source of bilateral foreign assistance funds which are used to help U.S. exporters capture major markets overseas. TDP achieves its objective by financing the planning of large-scale projects, such as hydropower projects which would have a high likelihood of using U.S. goods and services in the design, construction, and overall management of the project itself if U.S. firms are involved in the early planning stages. TDP attempts to select projects which will be financed by either the private sector, the international development banks, or such U.S. Government agencies as Exim, AID, or OPIC. For example, TDP is presently financing the planning of a number of major projects in Thailand and Indonesia which stand a strong chance of being candidates for project finance provided through the Exim Bank. TDP also is encouraged by the Congress to operate in certain sectors where AID does not normally operate, such as the mining sector, where TDP has a major program targeted on helping developing nations identify deposits of strategic metals and minerals.

Export-Import Bank.—The Export-Import Bank is a trade financing agency. Exim provides loans and guarantees to developing and industrialized countries alike; in developing countries it often finances projects which would not meet AID's basic human needs mandate. Exim can, and does, however, work in a complementary fashion with AID, OPIC, and TDP. Exim can jointly finance projects on a mixed credit basis with AID, can combine OPIC insurance and guarantee mechanisms with Exim financing, and can finance projects either jointly with TDP by using the Engineering Multiplier Program or as a follow-on to TDP-financed studies. In addition, AID's Trade Credit Insurance Program [TCIP] complements Exim's bank-to-bank program wherein the TCIP can guarantee Exim against loss in certain Central American countries. In so doing, the TCIP has enabled Exim to increase its flow of short-term credit to Central America.

EXPORT-IMPORT BANK

Fiscal year 1987 appropriation:	
Limitation on direct loans	$680,000,000
Limitation on guarantee commitments	11,355,000,000
Limitation on administrative expenses	18,371,000
Total	12,053,371,000
Fiscal year 1988 budget request:	
Limitation on direct loans	1,000,000,000
Limitation on guarantee commitments	10,000,000,000
Limitation on administrative expenses	20,668,000
Total	11,020,668,000
Fiscal year 1988 House allowance:	
Limitation on direct loans	690,000,000
Limitation on guarantee commitments	10,000,000,000
Limitation on administrative expenses	19,000,000
Total	10,709,000,000
Fiscal year 1988 Committee recommendation:	
Limitation on direct loans	690,000,000
Limitation on guarantee commitments	10,000,000,000
Limitation on administrative expenses	20,000,000
Total	10,710,000,000

The continuing string of record trade deficits is raising concern about the future of our national economy. With one out of every six manufacturing jobs and 1 out of every 4 farm acres planted in the United States dependent on exports, it is critical that we have free and fair trade in both existing and developing markets. It is the nature of the large and dynamic U.S. economy that it is more sensitive to changes in international trade than most. An inability to export not only limits economic growth, but also limits the ability of the United States to strengthen the course of democracy worldwide.

Much of our trade imbalance has been due to macroeconomic factors. The result has been to pressure governments to protect their domestic markets and to intervene in external market transactions, thereby exacerbating the situation. There has been difficulty in both initiating and concluding trade negotiations. Also, the number of unfair trading cases against subsidization, dumping, and nontariff barriers has grown dramatically.

The need for a strong Export-Import Bank is clear. The Committee wants to ensure that the Bank's practices can compete in the current trade environment. Given resource constraints, greater flexibility, and speed are called for in offering terms for financing. Foreign protectionist and market distorting actions need to be preempted before further damage to U.S. exports is done and the benefits of economic recovery in the rest of the world are forever lost.

It is hoped that the growing use of foreign government financing and mixed credits can be eliminated through negotiations. There have been promising results in some limited areas such as aircraft and nuclear power. In the meantime, the battle against these practices must be waged vigorously in order to send the necessary messages to our trade competitors.

Once again, the Committee recommends a direct loan program under the Export-Import Bank, though such a program was not requested. The Committee's recommendation for that program is $690,000,000. As well, the Committee recommends a total budget request for the guarantee program of $10,000,000,000.

TRADE AND DEVELOPMENT PROGRAM

Appropriation, 1987	$20,000,000
Budget request, 1988	20,000,000
House allowance	25,000,000
Committee recommendation	25,000,000

The basic trust of the Trade and Development Program [TDP] is to involve U.S. private sector firms in the early planning stages of programs and projects in order to improve their position as potential participants and suppliers in overseas development projects. The administration's proposed program for fiscal year 1988 will concentrate on agribusiness, telecommunications, and hazardous waste management projects. In addition, emphasis will be placed on projects in countries that historically do not receive U.S. development assistance, but are significant opportunities to foster trade, investment, and development such as Turkey, India, and China.

The Trade and Development Program has been highly successful in getting U.S. businesses involved in development projects and programs in Third World countries. Therefore, to show its support of this program, the Committee has recommended the appropriation of $25,000,000 for the TDP in fiscal year 1988.

In addition, the Committee has recommended bill language providing that up to $5,000,000 of the TDP funds may be used for joint financing with individual State trade promotion organizations of activities directed at the expansion of trade with developing countries.

TRADE CREDIT INSURANCE PROGRAM

Appropriation, 1987	($275,000,000)
Budget request, 1988	(200,000,000)
House allowance	(200,000,000)
Committee recommendation	(200,000,000)

The Trade Credit Insurance Program [TCIP] is one of several programs designed to reactivate the private sector in Central America. It provides guarantees to U.S. banks which agree to finance the export of goods and services for the United States for the use of the private sector in Central America. The TCIP, although an AID program, is managed in Washington by the Export-Import Bank. The aim of the TCIP program is to induce U.S. banks to return to their previous role of trade financing in that region.

The Committee is pleased that even though more than $309,000,000 in letters of credit have been confirmed under the program, no claims under the guaranty have ever been filed.

GENERAL PROVISIONS

The following explains changes the Committee is recommending to general provisions contained in previous law, as well as new provisions recommended by the Committee:

SEC. 507 through 509.—These provisions make necessary adjustments in operating expense limitations applicable to the agencies receiving funding under the bill.

SEC. 513.—The bill includes a modification to the current section 513. Currently, this provision requires the termination of assistance to any country in which the democratically elected head of state is deposed by the military. The Committee remains firmly in support of the policy underlying this provision and notes that the administration has implemented it consistent with its purposes. The administration has pointed out that these purposes could be furthered if some discretion was provided to support reinstatement of democracy. For example, a coup may be temporarily successful, leading to termination of U.S. assistance, which could not be reinstated under current law even if a democratically elected government were restored. To avoid this and similar possible anomalies, the Committee recommends inclusion of a proviso to current law which allows reinstatement of assistance if the President determines either that a democratically elected government has taken office or that the assistance proposed to be reinstated would substantially promote prospects for a return to elected governments.

SEC. 520.—This section is a modification of the current section 520 to include, as a basis for termination of assistance to an international financial institution, the failure of its management to provide, on request, to the U.S. governor or representative to that institution any document in the possession of the institution.

SEC. 522.—This section is a modification of the current section 522 to include the extraction of any mineral within the scope of the section.

SEC. 523.—Modifications to current law have been fully described earlier in this report.

SEC. 532.—This section is a modification of the current section 536 to update narcotics certification criteria for Jamaica, Peru, and Bolivia, and to specifically apply these criteria to the certification requirements contained in permanent law, section 481(h) of the Foreign Assistance Act of 1961.

SEC. 533.—This section is a modification of the current section 537 to expand the scope of the provision to include all countries in Central America, and to require the Secretary of State to notify the designated committees whenever any helicopters or other aircraft for military use are provided to any country in Central America by any foreign country.

Sec. 535.—This section is a modification of the current section 539 regarding the environment and, in particular, addresses policies of the multilateral development banks.

Sec. 538.—This section is a modification of the current section 543 to eliminate the floor on assistance to the Cambodian non-Communist resistance forces.

Sec. 539.—This section is a modification of the current section 544 to add a requirement that no appropriated funds may be made available to any private voluntary organization which is not registered with the Agency for International Development.

Sec. 544.—This section is a modification of the current section 549 to require that congressional notification procedures be followed before any funds appropriated in the bill are made available for Jamaica or Ecuador.

Sec. 545.—This section is a modification of the current section 550 to redefine program, project, and activity for purposes of the Congressional Budget and Impoundment Act of 1974, as amended.

Sec. 546.—This section is a modification of the current section 551 to permit the use of health and child survival funds to reimburse Federal and State agencies, and institutions of higher learning for individual detailed or assigned to AID to carry out child survival activities.

Sec. 547.—This section is a modification of the current section 553 to require the reprogramming, within the same account to which the funds were appropriated, of certain assistance funds appropriated by this bill in the event a country fails to comply with provisions of law regarding narcotics production or trafficking.

Sec. 548.—This section is a modification of the current section 554 to require that the Secretary of the Treasury instruct the U.S. Executive Director of the Inter-American Development Bank to work with the representatives of other donors to develop a coordinated (including coordination with the State Department and AID) development program for the bank's activities.

Sec. 553.—This is a new provision to require the Administrator of AID and the Secretary of State to make certifications to the Congress concerning economic, political, and human rights circumstances in Liberia before any MAP or ESF funds contained in the bill can be provided to that country.

Sec. 554.—This is a new provision to extend the reciprocal leasing authority of the Arms Export Control Act through fiscal year 1988.

Sec. 555.—This is a new provision to amend the certification requirements of section 669 of the Foreign Assistance Act of 1961 to add special requirements for countries in South Asia, and extends the waiver authority of section 620E(d) of that act through fiscal year 1993.

Sec. 556.—This is a new provision to place certain limitations on the exercise of the defense equipment drawdown authority of section 506(a) of the Foreign Assistance Act of 1961.

SEC. 557.—This is a new provision to require notification of the Committees on Appropriations prior to the exercise of the authority regarding excess defense articles contained in section 516(a) of the Foreign Assistance Act of 1961.

SEC. 558.—This is a new provision which makes inapplicable, to funds appropriated or otherwise made available by this bill, the provisions of section 10 of Public Law 91–672 and section 15 of the State Department Basic Authorities Act of 1956 regarding the obligation and expenditure of funds in excess of amounts authorized.

SEC. 559.—This is a new provision to require reports on the extent to which the Government of El Salvador has achieved certain political, economic, and human rights objectives.

SEC. 560.—This is a new provision to require that any agreement for the sale or provision of any article on the United States munitions list (established pursuant to section 38 of the Arms Export Control Act) entered into after the enactment of this bill is to state that the article is being provided by the United States on the expectation that it will not be transferred to Cyprus or otherwise used to further the severance of Cyprus. The President is to report any substantive evidence that equipment provided under such agreement has been used in a manner inconsistent with the purposes of this provision.

SEC. 561.—This is a new provision to require the transmittal to the Committees on Appropriations of a copy of the text of any debt relief agreement at least 30 days prior to its entry into force.

SEC. 562.—This is a new provision to earmark ESF funds for Middle East regional cooperation projects. Of these funds, $1,000,000 is to be used for an Arab-Israeli Peace Scholarship Program, one-half of which sum is to be used for scholarships for support of Israeli students studying in institutions of higher learning in Arab countries, and one-half of which for scholarships for support of Arab students studying at such institutions in Israel.

SEC. 563.—This is a new provision in compliance with certain requirements of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

SEC. 564.—This is a new provision which earmarks a total of $5,000,000 of ESF and Public Law 480, title II funds for assistance for the people of Lebanon. This assistance is to be made available only through U.S. nongovernmental organizations or through international organizations. The authorities of section 491 of the Foreign Assistance Act are made applicable to the provision of assistance under this section. Given the political circumstances in Lebanon, the use of nongovernmental organizations, the Committee believes, will provide greater assurance that the people of Lebanon who are most in need of our help will, in fact, receive the assistance provided in the bill. This is not to say that in the future it would not be appropriate to resume government-to-government programs. However, at present, given the uncertain political environment, the Committee feels it best to limit assistance to that provided through international and nongovernmental organizations.

SEC. 565.—This is a new provision which expresses the sense of the Congress that the Asian Development Bank reconsider its decision to designate Taiwan (the Republic of China) as Taipei, China. This designation, because it results in an appearance that Taiwan is part of the People's Republic of China, and was imposed upon Taiwan by the Asian Development Bank. The Committee notes that when Hong Kong is no longer a British protectorate, it will be known as Hong Kong, China, and will become part of the PRC. Thus, it is understandable to the Committee why the Republic of China is reluctant to be known as Taipei, China, since it would appear that it, too, is a part of mainland China.

SEC. 566.—This is a new provision which prohibits the use of any funds provided in this bill or any act to be made available to facilitate in any way the sale of certain antitank shells containing a depleted uranium penetrating component to any country, except for those countries specified in this section.

SEC. 567.—This is a new provision that permits funds that are appropriated in the bill, and which are earmarked by law, to be reprogrammed for other programs within the earmarked account if compliance with the earmark is made impossible by operation of any provision of law. Thus, if funds are earmarked in this bill or another act for a country, and such funds cannot be provided because the country is, for example in violation of section 518 of this bill, this provision would allow such assistance to be reprogrammed for other authorized purposes within the same account. Any such reprogramming is subject to congressional notification.

SEC. 568.—This is a new section which prohibits any funds appropriated under title III of the bill (military assistance) from being made available for Haiti unless a civilian government, freely and fairly elected in accordance with Haiti's Constitution of March 29, 1987, is in power in Haiti and is exercising the full authorities entrusted to it by that constitution. None of the funds contained in the bill may be provided for assistance for Haiti without the prior notification of the Committees on Appropriations.

SEC. 569.—This is a new section which prohibits the obligation or expenditure of United States assistance funds for Panama. This prohibition includes the obligation of funds contained in prior appropriations acts which have not as yet been obligated, and the expenditure of previously obligated funds. The section also prohibits the use of any funds appropriated in this bill or any other act to finance any participation of the United States in military exercises in Panama during the period January 1 through December 31, 1988. These prohibitions will not be applicable once the President certifies to the Congress on the achievement by Panama of specified political objectives contained in the bill. The section contains a definition of the term "United States assistance." It is the intention of the Committee that the authority of section 617 of the Foreign Assistance Act of 1961, otherwise available to permit winding up obligations, is not to be used as authority to enter into new obligations for United States assistance for Panama.

SEC. 570.—This is a new section which eliminates and redistributes the sugar quota allocation of Panama until the President makes the certification noted above for section 569.

SEC. 571.—This is a new section which allows use of FMS credits to finance commercially leased defense articles.

SEC. 572.—This is a new provision which bars the provision or sale of Stinger missiles to any country in the Persian Gulf region. The Committee provides the following additional explanation of this provision:

STINGER PROHIBITION IN PERSIAN GULF REGION

The Committee recognizes the delicate and sensitive nature of transferring and selling the Stinger missile antiaircraft technology. This weapon is the most sophisticated and effective surface-to-air missile in the world and poses a potential threat in the wrong hands as a terrorist weapon as well as a danger to United States and allied military aircraft. While the Committee generally does not object to the transfer or sale of this weapon under adequate safeguards and security measures, recent reports indicate that the Iranians have acquired Stinger technology. This adds to an already dangerous threat to U.S. military personnel in the Persian Gulf. As the Reagan administration considers possible transfers and sales of Stingers to foreign governments in the Persian Gulf region, the Committee recommends a 1-year prohibition on future sales or transfers until:

(1) The administration and the requesting country can better define and report the mission by which Stingers are required to fulfill their military defense as well as protect American forces in the region and how this completes an overall tactical strategy for the future.

(2) The Congress and appropriate departments can more accurately assess the threat of Stingers acquired by the Iranians.

(3) The administration and Department of Defense can establish a comprehensive policy for future Stinger transfers and sales securing these missiles in a safe environment, especially in this region.

SEC. 573.—This is a new provision expressing the sense of the Congress regarding the continuing disregard and systematic abuse of basic human rights and freedoms by the Government of Cuba.

SEC. 574.—This is a new provision requiring the Secretary of the Treasury to instruct U.S. Executive Directors to vote against assistance to countries on the State Department's terrorism list.

SEC. 575.—This is a new provision debarring U.S. bilateral assistance to any country on the State Department's terrorism list.

SEC. 576.—This is a new provision stating congressional findings on United States policies regarding the restoration of democracy in Chile.

SEC. 577.—This is a new provision providing support for the Central American peace plan propounded in Guatemala City. The Committee provides the following additional explanation of this provision:

ASSISTANCE FOR IMPLEMENTATION OF A REGIONAL PEACE AGREEMENT

The Supplemental Appropriations Act, 1985, under the heading, "Assistance for Implementation of a Contadora Agreement," appropriated $2,000,000, to remain available until expended, for expenses arising from the implementation by the Contadora nations (Mexico, Panama, Colombia, and Venezuela) of an agreement among the countries of Central America based on the Contadora Document of Objectives of September 9, 1983, including peacekeeping, verification, and monitoring systems.

The Committee provides that the unobligated balances of funds appropriated by the Supplemental Appropriations Act, 1985 under the heading, "Assistance for Implementation of a Contadora Agreement" shall be used for the implementation, through support for such activities as verification and monitoring, of the regional peace accord signed in Guatemala City on August 7, 1987. The Committee recommends that these funds be used, to the maximum extent possible, in support of the activities of the International Verification and Follow-Up Commission established by the Guatemala Accord. The Commission has responsibility for verifying and following up compliance with commitments made in the peace accord, as well as supporting procedures for national reconciliation and verification.

SEC. 578.—This is a new provision extending the scope of the Department of State's Administration of Justice Program.

SEC. 579.—This is a new provision providing for cooperative training for major non-NATO allies.

SEC. 580.—This is a new provision designating the use in Poland of $500,000 equivalent in excess Polish currency.

SEC. 581.—This is a new provision requiring that transfers of excess defense articles to Greece and Turkey be provided in the same proportion as assistance provided under military assistance programs.

SEC. 582.—This is a new provision establishing import assistance for Caribbean basin initiative [CBI] beneficiary countries and for the Republic of the Philippines.

SEC. 583.—This is a new section which provides certain authorities regarding the treatment of Amerasian aliens under the Immigration and Nationality Act.

SEC. 584.—This is a new section which requires that by March 1, 1990, the United States have in place a narcotics control agreement with every foreign aid recipient government which qualifies as a major drug producing country as defined by the Foreign Assistance Act. Moreover, it requires that in making requisite determinations after March 1, 1990, of cooperation in combating drug production and trafficking, the President shall determine and certify that such an agreement is in effect.

SEC. 585.—This section is more fully described in the section of the report dealing with Foreign Military Credit Sales.

SEC. 586.—This is a new section expressing the sense of the Congress that the practice of detaining children without charge or trial is unjust, inhumane, and an affront to civilized principles. It further expresses the belief that the Secretary of State should convey this policy to all international organizations.

SEC. 587.—This is a new section which prohibits the obligation or expenditure, after February 7, 1988, of funds appropriated by the bill for assistance for Haiti. Certain humanitarian assistance is exempted from this prohibition, including disaster assistance which would also still be permitted under the authority of section 491 of the Foreign Assistance Act. The Committee provides the following additional explanation of this provision:

> The Committee has noted that since the passage of the Haitian Constitution in an enthusiastic and overwhelming vote on March 29, 1987, there have been a number of events that appear designed to destabilize the electoral process outlined in the constitution. In late June, the interim government issued its own electoral decree, a step which many Haitians and international observers construed as an attempt to manipulate the election process. This action was withdrawn after a protest by the Haitian people and strong international reaction, including that of the United States Government. There have also been disturbing incidents such as the massacre of peasants and the murder of two political presidential candidates. Following the announcement of the provincial election commission's enforcement of article 291, which would ban for 10 years zealots of Jean Claude Duvalier's regime and those involved in torture and corruption, the headquarters were set on fire, the department store of one of the members was burnt down, and the office of another candidate was attacked. The Committee realizes that this destabilization reached disastrous proportions during the canceled November 29, 1987, elections when scores of people were killed, the election council disbanded, and future progress toward democratic elections seriously jeopardized. This election process and the successful completion of municipal and presidential elections is crucial for future economic and democratic development in Haiti. The United States must insist that direct government aid will not take place unless a democratic transition takes place through fair and free elections.

COMPLIANCE WITH PARAGRAPH 7, RULE XVI OF THE STANDING RULES OF THE SENATE

Rule XVI, paragraph 7 requires that every report on a general appropriation bill filed by the Committee must identify each recommended amendment which proposes an item of appropriation which is not made to carry out the provisions of an existing law, a treaty stipulation, or an act or resolution previously passed by the Senate during that session.

This report accompanies a bill which has its origin in the Senate and, therefore, the Committee does not believe that rule XVI, paragraph 7 applies in this case. However, if it did, several items provide funding which are either over Senate-passed authorization or lack authorization altogether. Those items are as follows:

International Development Association	$845,000,000
African Development Bank	8,999,371
Asian Development Bank	15,057,220
Multilateral Investment Guarantee Agency	44,403,116
Inter-American Development Bank	52,042,867
International Organizations and Programs	238,380,000
The functional development assistance accounts of the Agency for International Development	1,153,162,270
Sub-Saharan Africa, development assistance	500,000,000
Southern Africa, development assistance	30,000,000
American Schools and Hospitals Abroad	40,000,000
International Disaster Assistance	25,000,000
Operating expenses of the Agency for International Development	406,000,000
Operating expenses of the Agency for International Development, Office of the Inspector General	23,970,000
Economic Support Fund	3,188,320,000
African Development Foundation	7,000,000
Inter-American Foundation	13,000,000
Peace Corps	146,200,000
International narcotics control	85,000,000
Migration and refugee assistance	346,450,000
Anti-terrorism assistance	9,840,000
Military assistance	620,750,000
International military education and training	47,400,000
Foreign military credit sales	4,227,000,000
Guaranty Reserve Fund	(532,000,000)
Peacekeeping operations	31,689,000
Trade and Development Program	25,000,000
Trade Credit Insurance Program	(200,000,000)

COMPLIANCE WITH PARAGRAPH 12, RULE XXVI OF THE STANDING RULES OF THE SENATE

Paragraph 12 of rule XXVI requires that Committee report on a bill or joint resolution repealing or amending any statute or part of any statute include "(a) the text of the statute or part thereof which is proposed to be repealed; and (b) a comparative print of that part of the bill or joint resolution making the amendment and of the statute or part thereof proposed to be amended, showing by stricken-through type and italics, parallel columns, or other appropriate typographical devices the omissions and insertions which would be made by the bill or joint resolution if enacted in the form recommended by the committee."

In compliance with this rule, the following changes in existing law proposed to be made by the bill are shown as follows: existing law to be omitted is enclosed in black brackets; new matter is printed in italic; and existing law in which no change is proposed is shown in roman.

Section 636(c) of the Foreign Assistance Act of 1961 is amended as follows:

> (c) Notwithstanding any other law, not to exceed [$3,000,000] *$6,000,000* of the funds available for assistance under this Act may be used in any fiscal year (in addition to funds available for such use under other authorities in this Act) to construct or otherwise acquire outside the United States (1) es-

> sential living quarters, office space, and necessary supporting facilities for use of personnel carrying out activities authorized by this Act, and (2) schools (including domitories and boarding facilities) and hospitals for use of personnel carrying out activities authorized by this Act, United States Government personnel, and their dependents. In addition, funds made available for assistance under this Act may be used, notwithstanding any other law, to equip, staff, operate, and maintain such schools and hospitals.

Section 109 of the Foreign Assistance Act of 1961 is amended as follows:

> **Sec. 109. Transfer of Funds.**—Whenever the President determines it to be necessary for the purposes of this chapter, not to exceed 15 per centum of the funds made available for any provision of this chapter may be transferred to, and consolidated with, the funds made available for any other provision of this chapter, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 25 per centum of the amount of funds made available for such provision. The authority of sections 610(a) and 614(a) of this Act may not be used to transfer funds made available under this chapter for use for purposes of any other provision of this Act except that the authority of such sections may be used to transfer for the purposes of section 667 not to exceed [five] *ten* per centum of the amount of funds made available for section 667(a)(1).

Section 103(b) of the Omnibus Diplomatic Security and Antiterrorism Act of 1986 is amended as follows:

> (b) OVERSIGHT OF POSTS ABROAD.—The Secretary of State shall—
>
> (1) have full responsibility for the coordination of all United States Government personnel assigned to diplomatic or consular posts or other United States missions abroad pursuant to United States Government authorization (except for facilities, installations, or personnel under the command of a United States area military commander); and
>
> (2) establish appropriate overseas staffing levels for all such posts or missions for all Federal agencies with activities abroad (except for personnel and activities under the command of a United States area military commander).
>
> *(3) establish, notwithstanding any other provision of law, appropriate overseas staffing levels of the Regional Offices of the Inspector General of the Agency for International Development in effective consultation with the Inspector General of that Agency: Provided, That the authority of the Secretary of State shall be exercised only by the Secretary and shall not be*

delegated to a subordinate officer of the Department of State: Provided further, That the Inspector General must report to the appropriate committees of both Houses of the Congress within thirty days the denial by the Secretary of State of a request by the Inspector General to increase or reduce an existing position level of a regional office: Provided further, That the total number of positions authorized for the Office of the Inspector General in Washington and overseas shall be determined by the Inspector General within the limitation of the appropriations level provided.

Section 222(a) of the Foreign Assistance Act of 1961 is amended as follows:

> **Sec. 222. Authorization.**—(a) To carry out the policy of section 221, the President is authorized to issue guaranties to eligible investors (as defined in section 238(c)) assuring against losses incurred in connection with loans made for projects meeting the criteria set forth in section 221. The total principal amount of guaranties issued under this title or heretofore issued under prior housing guaranty authorities, which are outstanding at any one time, shall not exceed $2,158,000,000. The authority of this section shall continue through September 30, **[**1988**]** *1990.* The President may issue regulations from time to time with regard to the terms and conditions upon which such guaranties shall be issued and the eligibility of lenders.

Section 223(e)(2)(A) of the Foreign Assistance Act of 1961 is amended as follows:

> (e)(1) There is hereby authorized to be appropriated to the President such amounts, to remain available until expended, as may be necessary from time to time to carry out the purposes of this title.
>
> (2)(A) In order to meet obligations incurred for the payment of claims pursuant to loan guaranties described in subsection (d), the Administrator of the agency primarily responsible for administering part I may, to the extent that reserves are not sufficient, borrow from time to time from the Treasury except that—
>
> (i) the Administrator may exercise the authority to borrow under this paragraph only to such extent or in such amounts as are provided in advance in appropriation Acts; and
>
> (ii) the amount borrowed under this paragraph which is outstanding at any one time may not exceed **[**$40,000,000**]** *$100,000,000.*

Section 15(d)(4) of the Peace Corps Act is amended as follows:

> (4) purchase and hire of passenger motor vehicles: *Provided,* That, except as may otherwise be provided in an appropriation or other Act, passenger motor vehicles for administrative pur-

poses abroad may be purchased for replacement only, and such vehicles may be exchanged or sold and replaced by an equal number of such vehicles, and the cost, including exchange allowance, of each such replacement shall not exceed [$2,500] *the applicable cost limitation described in section 636(a)(5) of the Foreign Assistance Act of 1961* in the case of an automobile for any Peace Corps country representative appointed under section 7(c): *Provided further, That the provisions of section 1343 of title 31, United States Code, shall not apply to the purchase of vehicles for the transportation, maintenance, or direct support of volunteers overseas: Provided further,* That passenger motor vehicles may be purchased for use in the United States only as may be specifically provided in an appropriation or other Act;

The Peace Corps Act is amended by adding the following new section:

ACTIVITIES PROMOTING AMERICANS' UNDERSTANDING OF OTHER PEOPLES

SEC. 18. In order to further the goal of the Peace Corps, as set forth in section 2 of this Act, relating to the promotion of a better understanding of other peoples on the part of the American people, the Director, utilizing the authorities under section 10(a)(1) and other provisions of law, shall, as appropriate, encourage, facilitate, and assist activities carried out by former volunteers in furtherance of such goal and the efforts of agencies, organizations, and other individuals to support or assist in former volunteers' carrying out such activities.

Section 514(b) of the Foreign Assistance Act of 1961 is amended as follows:

(b)(1) The value of defense articles to be set aside, earmarked, reserved, or intended for use as war reserve stocks for allied or other foreign countries (other than for purposes of the North Atlantic Treaty Organization) in stockpiles located in foreign countries may not exceed in any fiscal year an amount greater than is specified in security assistance authorizing legislation for that fiscal year.

[(2) The value of such additions to stockpiles in foreign countries shall not exceed $360,000,000 for the fiscal year 1986 and shall not exceed $125,000,000 for the fiscal year 1987.] *(2) The value of such additions to stockpiles in foreign countries shall not exceed $116,000,000 for fiscal year 1988.*

Section 514(c) of the Foreign Assistance Act of 1961 is amended as follows:

(c) Except for stockpiles in existence on the date of enactment of the International Security Assistance and Arms Export Control Act of 1976 and for stockpiles located in the Republic of Korea, *Thailand*, or countries which are members of the North Atlantic Treaty Organization, no stockpile may be located outside the boundaries of a United States military base or a military base used primarily by the United States.

Section 61(a) of the Arms Export Control Act is amended as follows:

Sec. 61. Leasing Authority.—(a) The President may lease defense articles in the stocks of the Department of Defense to an eligible foreign country or international organization if—

(1) he determines that there are compelling foreign policy and national security reasons for providing such articles on a lease basis rather than on a sales basis under this Act;

(2) he determines that the articles are not for the time needed for public use; and

(3) the country or international organization has agreed to pay in United States dollars all costs incurred by the United States Government in leasing such articles, including reimbursement for depreciation of such articles while leased, the costs of restoration or replacement if the articles are damaged while leased, and the replacement cost (less any depreciation in the value) of the articles if the articles are lost or destroyed while leased.

The requirement of paragraph (3) shall not apply to leases entered into for purposes of cooperative research or development, military exercises, or communications or electronics interface projects, or to any defense article which has passed three-quarters of its normal service life.

The President may waive the requirement of paragraph (3) with respect to a lease which is made in exchange with the lessee for a lease on substantially reciprocal terms of defense articles for the Department of Defense, except that this waiver authority—

(A) may be exercised only if the President submits to the Committee on Foreign Affairs and the Committee on Appropriations of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate, in accordance with the regular notification procedures of those Committees, a detailed notification for each lease with respect to which the authority is exercised; and

(B) may be exercised only during the fiscal year [1987] *1988* and only with respect to one country, unless the Congress hereafter provides otherwise.

The preceding sentence does not constitute authorization of appropriations for payments by the United States for leased articles.

Section 669 of the Foreign Assistance Act of 1961 is amended by adding the following new subsections:

(c)(1) Beginning six months from the date of enacement of this subsection, no country in South Asia which the President determines is producing weapons grade enriched uranium or separated plutonium in unsafeguarded facilities may receive any United States assistance or obtain an export license for the purchase of sophisticated United States equipment or technology with possible military application, until such time as the President has certified to the Congress that the country has ceased producing such materials or has placed the facilities at which the materials are produced under international safeguards.

(2) At any time during a period that United States bilateral assistance to any country in South Asia has been terminated pursuant to subsection (c)(1), the Secretary of the Treasury shall instruct the United States executive directors of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the International Monetary Fund, and the Asian Development Bank to use the voice and vote of the United States to oppose any assistance by these institutions using funds appropriated or made available by the United States.

(3) The President may waive the prohibitions of paragraphs (1) and (2) of this subsection for any country in South Asia if the President certifies to the Congress that a second country in South Asia is producing weapons grade enriched uranium or separated plutonium in unsafeguarded facilities and that the failure of that country to agree to cease production of such materials is a factor in the continued production of weapons grade enriched uranium or separated plutonium in unsafeguarded facilities by the first country, and if the President determines that it is in the national interest to waive those prohibitions.

(4) Beginning concurrently with the initial certification or waiver issued pursuant to subsections (c)(1) or (c)(3) of this section, and for as long as any waiver of the requirements of subsections (a) and (b) of this section is in effect for any country in South Asia, the President shall submit any waiver or certification required pursuant to subsection (c)(1) or (c)(3) of this section to the Congress at the time of the initial certification or waiver and thereafter March 31 and on September 30 of each year. The President shall submit any such waiver or certification to the committees specified in section 602(c) of the Nuclear Non-Proliferation Act of 1978. If in any such waiver or certification the President determines that the situation in South Asia has changed and the certification previously made under subsection (c)(1) or (c)(3) of this seciton cannot again be made, then the President shall so certify and shall take whatever action is appropriate under this subsection with regard to the assistance programs of and export licensing for the country or countries in

question, and with regard to United States voices and vote in the institutions described in paragraph (2) of this subsection.

(d) Beginning at the time the initial waiver or certification under subsection (c)(1) or (c)(3) of this section is submitted, and each March 31 or September 30 thereafter for as long as a waiver of the provisions of section 669 (a) and (b) is in effect for any country in South Asia, the President shall submit to the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives an Intelligence Community report containing a factual description of the isotopic content and quantity of separated plutonium and uranium that have been produced or imported during the preceding six-month period (or, in the case of the first required report, during the period since the date of enactment of this subsection) by any country in South Asia which has produced or imported such materials. The President shall notify the committees specified in section 602(c) of the Nuclear Non-Proliferation Act of 1978 that such report has been transmitted to the intelligence committees of the Congress.

Section 620E(d) of the Foreign Assistance Act of 1961 is amended as follows:

[(d) The President may waive the prohibitions of section 669 of this Act at any time during the period beginning on the date of enactment of this section and ending on September 30, 1987, to provide assistance to Pakistan during that period if he determines that to do so is in the national interest of the United States.]

(d) The President may waive the prohibitions of section 669 (a) and (b) of this Act at any time during the period beginning on the date of enactment of this subsection and ending on September 30, 1993, to provide assistance to Pakistan during that period if he determines that to do so is in the interest of the United States.

Section 620C of the Foreign Assistance Act of 1961 is amended by adding the following new subsection:

(e)(1) Any agreement for the sale or provision of any article on the United States Munitions List (established pursuant to section 38 of the Arms Export Control Act) entered into by the United States after the enactment of this provision shall expressly state that the article is being provided by the United States on the expectation that it will not be transferred to Cyprus or otherwise used to further the severance of Cyprus.

(2) The President shall report to Congress any substantial evidence that equipment provided under any such agreement has been used in a manner inconsistent with the purposes of this subsection.

The Tariff Schedules of the United States, paragraph (c) of headnote 3 of subpart A of part 10 of schedule 1 thereof is amended by adding the following new subparagraph:

> *(iii) Notwithstanding any authority given to the United States Trade Representative under paragraphs (e) and (g) of this headnote, no allocation may be made to Panama of any portion of any limitation imposed under any paragraph of this headnote on the quantity of sugars, sirups, and molasses described in items 155.20 and 155.30 which may be entered.*

Section 23(a) of the Arms Export Control Act is amended as follows:

> **Sec. 23. Credit Sales.**—(a) The President is authorized to finance the procurement of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations, on such terms and conditions as he may determine consistent with the requirements of this section. *Notwithstanding any other provision of law, the authority of this section may be used to provide financing, using credits for which repayment liability has been released, for the procurement by leasing (including leasing with an option to purchase) of defense articles from United States commercial suppliers if the President determines that there are compelling foreign policy or national security reasons for those defense articles being provided by commercial lease rather than by government-to-government sale under this Act.*

Section 534(b)(3) of the Foreign Assistance Act of 1961 is amended as follows:

> [(3) notwithstanding section 660 of this Act, programs to enhance investigative capabilities, conducted under judicial or prosecutorial control;]
>
> *(3) notwithstanding section 660 of this Act—*
>
> *(A) programs to enhance professional capabilities to carry out investigative and forensic functions conducted under judicial or prosecutorial control;*
>
> *(B) programs to assist in the development of academic instruction and curricula for training law enforcement personnel;*
>
> *(C) programs to improve the administrative and management capabilities of law enforcement agencies, especially their capabilities relating to career development, personnel evaluation, and internal discipline procedures; and*
>
> *(D) programs, conducted through multilateral or regional institutions, to improve penal institutions and the rehabilitation of offenders;*

Section 534(e) of the Foreign Assistance Act of 1961 is amended as follows:

> [(e) The authority of this section shall expire on September 30, 1987.]
>
> *(e) Personnel of the Department of Defense and members of the United States Armed Forces may not participate in the provision of training under this section. Of the funds made available to carry out this section, not more than $7,000,000 may be made available in each of fiscal years 1988 and 1989 to carry out the provisions of subsection (b)(3) of this section. The authority of this section shall expire on September 30, 1989.*

Section 21(g) of the Arms Export Control Act is amended as follows:

> (g) The President may enter into North Atlantic Treaty Organization standardization agreements in carrying out section 814 of the Act of October 7, 1975 (Public Law 94–106), and may enter into similar agreements with Japan, Australia, and New Zealand, *and with other countries which are major non-NATO allies,* for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). Each such agreement shall be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate. *As used in this subsection, the term "major non-NATO allies" means those countries designated as major non-NATO allies for purposes of section 1105 of the National Defense Authorization Act of Fiscal Year 1987.*

Section 481(h)(2)(A) of the Foreign Assistance Act of 1961 is amended as follows:

> (2)(A)*(i)* The assistance withheld by paragraph (1)(A) may be obligated and expended and the provisions of paragraph (1)(B) shall not apply if the President determines, and so certifies to the Congress, at the time of the submission of the report required by subsection (e), that—
>
> [(i)]*(I)* during the previous year the country has cooperated fully with the United States, or has taken adequate steps on its own in satisfying the goals agreed to *in an applicable bilateral narcotics agreement with the United States (as described in (ii)), and* in preventing narcotic and psychotropic drugs and other controlled substances produced or processed, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States

Government personnel or their dependents or from being transported, directly or indirectly, into the United States and in preventing and punishing the laundering in that country of drug-related profits or drug-related monies; or

[(ii)]*(II)* for a country that would not otherwise qualify for certification under subclause (i), the vital national interests of the United States require the provision of such assistance, or

(ii) A bilateral narcotics agreement referred to in clause (i)(I) is an agreement between the United States and a foreign country whereby the foreign country agrees to take specific activities in order to reduce drug production, drug consumption, and drug trafficking within its territory, including activities to address illicit crop eradication and crop substitution; drug interdiction and enforcement; drug consumption and treatment; identification of and elimination of illicit drug laboratories; identification and elimination of the trafficking of precursor chemicals for the use in production of illegal drugs; cooperation with United States drug enforcement officials; and, where applicable, participation in extradition treaties, mutual legal assistance provisions directed at money laundering, sharing of evidence, and other initiatives for cooperative drug enforcement.

(B) If the President makes a certification pursuant to clause (A)(ii), he shall include in such certification—

(i) a full and complete description of the vital national interests placed at risk should assistance or financing not be provided such country; and

(ii) a statement weighing the risk described in subclause (i) against the risks posed to the vital national interests of the United States by the failure of such country to cooperate fully with the United States in combating narcotics or to take adequate steps to combat narcotics on its own.

BUDGETARY IMPACT OF BILL

PREPARED BY THE CONGRESSIONAL BUDGET OFFICE PURSUANT TO SEC. 308(a), PUBLIC LAW 93–344, AS AMENDED

[In millions of dollars]

	Budget authority		Outlays	
	Committee allocation	Amount in bill	Committee allocation	Amount in bill
Comparison of amounts in the bill with the Committee allocation to its subcommittees of amounts in the First Concurrent Resolution for 1988: Subcommittee on Foreign Assistance and Related Agencies	13.01	13,586	12.00	[1] 12,149
Projections of outlays associated with budget authority recommended in the bill:				
1988				[2] 5,869
1989				3,194
1990				2,535
1991				326
1992 and future year				499
Financial assistance to State and local governments for 1988 in the bill				
	Direct loans		Loan guarantees	
Credit authority estimates, fiscal year 1988	5.87	6,214	9.15	15,625

[1] Includes outlays from prior-year budget authority; adjusted to conform with Committee estimates in allocations.

[2] Excludes outlays from prior-year budget authority.

NOTE: The amounts shown above exceed the subcommittee section 302(b) allocation but are consistent with the joint executive-congressional agreement on the budget of November 20, 1987.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1987 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1988

[Amounts in dollars]

Item (1)	1987 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recommendation (5)	Senate committee recommendation compared with (+ or -)		
					1987 appropriation (6)	Budget estimate (7)	House allowance (8)
TITLE I - MULTILATERAL ECONOMIC ASSISTANCE							
FUNDS APPROPRIATED TO THE PRESIDENT							
International Financial Institutions							
World Bank Group							
Contribution to the International Bank for Reconstruction and Development:							
Paid-in capital................................	55,805,000	204,909,039	36,794,050	40,176,393	-15,628,607	-164,732,646	+3,382,343
Limitation on callable capital subscriptions.....	(688,261,667)	(2,169,161,009)	(453,793,284)	(437,320,185)	(-250,941,482)	(-1,731,840,824)	(-16,473,099)
Total, contribution to the International Bank for Reconstruction and Development............	(744,066,667)	(2,374,070,048)	(490,587,334)	(477,496,578)	(-266,570,089)	(-1,896,573,470)	(-13,090,756)
Budget authority........................	55,805,000	204,909,039	36,794,050	40,176,393	-15,628,607	-164,732,646	+3,382,343
Limitation on callable capital............	(688,261,667)	(2,169,161,009)	(453,793,284)	(437,320,185)	(-250,941,482)	(-1,731,840,824)	(-16,473,099)
Contribution to the International Development Association..	830,100,000	958,333,334	830,100,000	845,000,000	+14,900,000	-113,333,334	+14,900,000
Contribution to the International Finance Corporation..	7,205,610	35,032,000	962,000	35,032,000	+27,826,390	--	+34,070,000
Contribution to the Special Facility for Sub-Saharan Africa..	64,805,000	---	88,420,000	---	-64,805,000	---	-88,420,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1987 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1988—Continued

[Amounts in dollars]

Item (1)	1987 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recommendation (5)	Senate committee recommendation compared with (+ or –)		
					1987 appropriation (6)	Budget estimate (7)	House allowance (8)
Contribution to Multilateral Investment Guarantee Agency:							
Paid-in capital	---	44,403,116	---	44,403,116	+44,403,116	---	+44,403,116
Limitation on callable capital	---	(177,612,464)	---	(177,612,464)	(+177,612,464)	---	(+177,612,464)
Total, contributions World Bank Group	(1,646,177,277)	(3,589,450,962)	(1,410,069,334)	(1,579,544,158)	(-66,633,119)	(-2,009,906,804)	(+169,474,824)
Budget authority	957,915,610	1,242,677,489	956,276,050	964,611,509	+6,695,899	-278,065,980	+8,335,459
Limitation on callable capital	(688,261,667)	(2,346,773,473)	(453,793,284)	(614,932,649)	(-73,329,018)	(-1,731,840,824)	(+161,139,365)
Contribution to the Inter-American Development Bank:							
Fund for special operations	17,263,000	110,097,000	75,493,000	25,732,371	+8,469,371	-84,364,629	-49,760,629
Inter-regional paid-in capital	16,417,000	121,098,332	63,217,983	25,007,496	+8,590,496	-96,090,836	-38,210,487
Inter-American Investment Corporation	--	26,803,000	---	1,303,000	+1,303,000	-25,500,000	+1,303,000
Limitation on callable capital subscriptions	(1,111,561,128)	(2,376,737,187)	(119,403,576)	(119,403,576)	(-992,157,552)	(-2,257,333,611)	---
Total, contribution to the Inter-American Development Bank	(1,145,241,128)	(2,634,735,519)	(258,114,559)	(171,446,443)	(-973,794,685)	(-2,463,289,076)	(-86,668,116)
Budget authority	33,680,000	257,998,332	138,710,983	52,042,867	+18,362,867	-205,955,465	-86,668,116
Limitation on callable capital	(1,111,561,128)	(2,376,737,187)	(119,403,576)	(119,403,576)	(-992,157,552)	(-2,257,333,611)	---
Contribution to the Asian Development Bank:							
Paid-in capital	13,232,676	15,057,220	9,925,000	15,057,220	+1,824,544	---	+5,132,220
Development fund	91,406,000	218,964,000	14,646,000	28,000,000	-63,406,000	-190,964,000	+13,354,000
Limitation on callable capital subscriptions	(251,367,220)	(276,503,941)	(188,534,786)	(276,503,941)	(+25,136,721)	---	(+87,969,155)

Total, contribution to the Asian Development Bank	(356,005,896)	(510,525,161)	(213,105,786)	(319,561,161)	(-36,444,735)	(-190,964,000)	(+106,455,375)
Budget authority	104,638,676	234,021,220	24,571,000	43,057,220	-61,581,456	-190,964,000	+18,486,220
Limitation on callable capital	(251,367,220)	(276,503,941)	(188,534,786)	(276,503,941)	(+25,136,721)	---	(+87,969,155)
Contribution to the African Development Fund	90,427,000	75,000,000	75,000,000	75,000,000	-15,427,000	---	---
Contribution to the African Development Bank:							
Paid-in capital	20,480,127	8,999,371	8,999,371	8,999,371	-11,480,756	---	---
Limitation on callable capital	(41,980,980)	(134,918,184)	(134,918,184)	(134,918,184)	(+92,937,204)	---	---
Total, contributions to the African Development Bank	(62,461,107)	(143,917,555)	(143,917,555)	(143,917,555)	(+81,456,448)	---	---
Budget authority	20,480,127	8,999,371	8,999,371	8,999,371	-11,480,756	--	---
Callable capital	(41,980,980)	(134,918,184)	(134,918,184)	(134,918,184)	(+92,937,204)	---	---
Total, contribution to International Financial Institutions	(3,300,312,408)	(6,953,629,197)	(2,100,207,234)	(2,289,469,317)	(-1,010,843,091)	(-4,664,159,880)	(+189,262,083)
Budget authority	1,207,141,413	1,818,696,412	1,203,557,404	1,143,710,967	-63,430,446	-674,985,445	-59,846,437
Limitation on callable capital	(2,093,170,995)	(5,134,932,785)	(896,649,830)	(1,145,758,350)	(-947,412,645)	(-3,989,174,435)	(+249,108,520)
Department of State							
International organizations and programs	237,264,000	194,000,000	232,961,900	238,380,000	+1,116,000	+44,380,000	+5,418,100
Total, title I, contribution for Multilateral Economic Assistance	(3,537,576,408)	(7,147,629,197)	(2,333,169,134)	(2,527,849,317)	(-1,009,727,091)	(-4,619,779,880)	(+194,680,183)
Budget authority	1,444,405,413	2,012,696,412	1,436,519,304	1,382,090,967	-62,314,446	-630,605,445	-54,428,337
Limitation on callable capital	(2,093,170,995)	(5,134,932,785)	(896,649,830)	(1,145,758,350)	(-947,412,645)	(-3,989,174,435)	(+249,108,520)

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1987 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1988—Continued

[Amounts in dollars]

Item (1)	1987 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recommendation (5)	Senate committee recommendation compared with (+ or −)		
					1987 appropriation (6)	Budget estimate (7)	House allowance (8)
TITLE II - BILATERAL ECONOMIC ASSISTANCE							
FUNDS APPROPRIATED TO THE PRESIDENT							
Agency for International Development							
Agriculture, rural development and nutrition, Development Assistance	676,600,000	471,000,000	663,000,000	488,715,000	-187,885,000	+17,715,000	-174,285,000
Population, Development Assistance	235,500,000	207,500,000	230,000,000	197,940,000	-37,560,000	-9,560,000	-32,060,000
Health, Development Assistance	172,400,000	120,100,000	168,000,000	118,272,000	-54,128,000	-1,828,000	-49,728,000
AIDS prevention and control fund	---	---	30,000,000	30,000,000	+30,000,000	+30,000,000	---
Child Survival Fund	75,000,000	61,000,000	80,000,000	61,613,000	-13,387,000	+613,000	-18,387,000
Education and human resources development, Development Assistance	168,400,000	123,650,000	165,000,000	115,751,000	-52,649,000	-7,899,000	-49,249,000
Energy and selected development activities, Development Assistance	193,329,000	148,038,000	189,000,000	120,709,000	-72,620,000	-27,329,000	-68,291,000
Science and technology, Development Assistance	9,661,500	14,662,000	9,468,270	7,662,270	-1,999,230	-6,999,730	-1,806,000
Private sector revolving fund	---	12,000,000	---	---	---	-12,000,000	---
(By transfer)	(13,000,000)	---	(12,000,000)	(4,000,000)	(-9,000,000)	(+4,000,000)	(-8,000,000)
(Limitation on direct loans)	---	(16,000,000)	(12,000,000)	(12,000,000)	(+12,000,000)	(-4,000,000)	---
Reappropriation (deobligation/reobligation) authority	50,000,000	12,500,000	12,500,000	12,500,000	-37,500,000	---	---
Subtotal, development assistance	1,580,890,500	1,170,450,000	1,546,968,270	1,153,162,270	-427,728,230	-17,287,730	-393,806,000
Sub-Saharan Africa, Development Assistance	373,500,000	500,000,000	(450,000,000)	500,000,000	+126,500,000	---	+500,000,000

Southern Africa Development Assistance	13,100,000	---	(50,000,000)	30,000,000	+16,900,000	+30,000,000	+30,000,000
Total, development assistance	1,967,490,500	1,670,450,000	1,546,968,270	1,683,162,270	-284,328,230	+12,712,270	+136,194,000
American schools and hospitals abroad	35,000,000	10,800,000	34,300,000	40,000,000	+5,000,000	+29,200,000	+5,700,000
International disaster assistance	70,000,000	25,000,000	25,000,000	25,000,000	-45,000,000	---	---
Payment to the Foreign Service Retirement and Disability Fund	45,492,000	35,132,000	35,132,000	35,132,000	-10,360,000	---	---
AID deobligate/reobligate reappropriation (indefinite) 1/	100,000,000	---	---	---	-100,000,000	---	---
Operating expenses of the Agency for International Development	340,600,000	426,810,000	406,000,000	406,000,000	+65,400,000	-20,810,000	---
Operating expenses of the Agency for International Development Office of the Inspector General	21,000,000	22,687,000	21,580,000	23,970,000	+2,970,000	+1,283,000	+2,390,000
Housing and other credit guaranty programs:							
(Limitation on guaranteed loans)	(145,464,000)	(100,000,000)	(125,000,000)	(125,000,000)	(-20,464,000)	(+25,000,000)	---
(Limitation on administrative expenses)	---	(6,500,000)	---	---	---	(-6,500,000)	---
Guarantee reserve, indefinite borrowing authority	---	22,000,000	22,000,000	22,000,000	+22,000,000	---	---
Subtotal, Agency for International Development	2,579,582,500	2,212,879,000	2,090,980,270	2,235,264,270	-344,318,230	+22,385,270	+144,284,000
Economic support fund	3,851,000,000	3,580,500,000	3,128,906,000	3,188,320,000	-662,680,000	-392,180,000	+59,414,000
Reappropriation (deobligation/reobligation) authority	---	12,500,000	12,500,000	12,500,000	+12,500,000	---	---
Total, Economic support fund	3,851,000,000	3,593,000,000	3,141,406,000	3,200,820,000	-650,180,000	-392,180,000	+59,414,000
Total, Agency for International Development	6,430,582,500	5,805,879,000	5,232,386,270	5,436,084,270	-994,498,230	-369,794,730	+203,698,000
African Development Foundation							
Appropriations	6,500,000	6,754,000	7,000,000	7,000,000	+500,000	+246,000	---
Inter-American Foundation							
Appropriations	11,800,000	11,300,000	13,000,000	13,000,000	+1,200,000	+1,700,000	---

1/ Reappropriation amount is estimated.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1987 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1988—Continued

[Amounts in dollars]

Item (1)	1987 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recommendation (5)	Senate committee recommendation compared with (+ or −)		
					1987 appropriation (6)	Budget estimate (7)	House allowance (8)
Overseas Private Investment Corporation							
(Limitation on direct loans)...........................	(23,000,000)	(15,000,000)	(17,250,000)	(23,000,000)	---	(+8,000,000)	(+5,750,000)
(Limitation on guaranteed loans)......................	(200,000,000)	(150,000,000)	(175,000,000)	(200,000,000)	---	(+50,000,000)	(+25,000,000)
(Limitation)...	(12,400,000)	(10,600,000)	---	---	(-12,400,000)	(-10,600,000)	---
Total, Funds Appropriated to the President......	6,448,882,500	5,823,933,000	5,252,386,270	5,456,084,270	-992,798,230	-367,848,730	+203,698,000
Independent Agency							
Peace Corps..	137,200,000	130,682,000	142,200,000	146,200,000	+9,000,000	+15,518,000	+4,000,000
Department of State							
International narcotics control......................	118,445,000	98,750,000	98,750,000	85,000,000	-33,445,000	-13,750,000	-13,750,000
Migration and refugee assistance.....................	346,856,000	314,450,000	319,450,000	346,450,000	-406,000	+32,000,000	+27,000,000
United States Emergency Refugee and Migration Assistance Fund....................................	14,000,000	---	---	---	-14,000,000	---	---
Anti-terrorism assistance............................	9,840,000	9,840,000	9,840,000	9,840,000	---	---	---
Total, Department of State.........................	489,141,000	423,040,000	428,040,000	441,290,000	-47,851,000	+18,250,000	+13,250,000
Total, title II, Economic assistance - bilateral:							
New budget (obligational) authority..........	7,075,223,500	6,377,655,000	5,822,626,270	6,043,574,270	-1,031,649,230	-334,080,730	+220,948,000
Definite...............................	(6,975,223,500)	(6,377,655,000)	(6,322,626,270)	(6,043,574,270)	(-931,649,230)	(-334,080,730)	(+220,948,000)

Indefinite	(100,000,000)	---	---	---	(-100,000,000)	---	---
(Limitation on direct loans)	(23,000,000)	(31,000,000)	(29,250,000)	(35,000,000)	(+12,000,000)	(+4,000,000)	(+5,750,000)
(Limitation on guaranteed loans)	(345,464,000)	(250,000,000)	(300,000,000)	(325,000,000)	(-20,464,000)	(+75,000,000)	(+25,000,000)

TITLE III - MILITARY ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

Military Assistance	950,000,000	1,328,800,000	712,500,000	620,750,000	-329,250,000	-708,050,000	-91,750,000
International Military Education and Training	56,000,000	56,000,000	56,000,000	47,400,000	-8,600,000	-8,600,000	-8,600,000
Foreign Military Credit Sales:							
Direct credits and forgiven loans	4,053,441,284	4,471,150,000	4,423,144,830	4,227,000,000	+173,558,716	-194,150,000	-196,144,830
Special Defense Acquisition Fund (limitation on obligations)	(315,820,000)	(350,000,000)	(236,865,000)	(250,000,000)	(-65,820,000)	(-100,000,000)	(+13,135,000)
Special Assistance for Central America:							
Assistance for Nicaraguan Democratic Resistance	(100,000,000)	105,000,000	---	---	---	-105,000,000	---
Peacekeeping operations	31,689,000	46,311,000	31,689,000	31,689,000	---	-14,622,000	---
Guarantee Reserve Fund (by transfer)	---	---	(532,000,000)	---	---	---	(-532,000,000)
(Permanent indefinite)	---	---	---	(532,000,000)	(+532,000,000)	(+532,000,000)	(+532,000,000)
Total, title III, military assistance programs	5,091,130,284	5,957,261,000	5,223,333,830	4,926,839,000	-164,291,284	-1,030,422,000	-296,494,830
(By transfer)	---	---	(532,000,000)	---	---	---	(-532,000,000)
(Limitation on obligations)	(315,820,000)	(350,000,000)	(236,865,000)	(250,000,000)	(-65,820,000)	(-100,000,000)	(+13,135,000)

TITLE IV - EXPORT ASSISTANCE

EXPORT-IMPORT BANK OF THE UNITED STATES

Limitation of Program Activity:							
(Limitation on direct loans)	(680,000,000)	(1,000,000,000)	(690,000,000)	(690,000,000)	(+10,000,000)	(-310,000,000)	---
(Limitation on guaranteed loans)	(11,355,000,000)	(10,000,000,000)	(10,000,000,000)	(10,000,000,000)	(-1,355,000,000)	---	---
(Limitation on administrative expenses)	(18,371,500)	(20,668,000)	(19,000,000)	(20,000,000)	(+1,628,500)	(-668,000)	(+1,000,000)
Total, Export-Import Bank of the United States, (limitations on use of corporate funds)	(12,053,371,500)	(11,020,668,000)	(10,709,000,000)	(10,710,000,000)	(-1,343,371,500)	(-310,668,000)	(+1,000,000)

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1987 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1988—Continued

[Amounts in dollars]

Item (1)	1987 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recommendation (5)	Senate committee recommendation compared with (+ or -): 1987 appropriation (6)	Budget estimate (7)	House allowance (8)
FUNDS APPROPRIATED TO THE PRESIDENT							
Trade and Development Program							
Trade and development	20,000,000	20,000,000	25,000,000	25,000,000	+5,000,000	+5,000,000	---
Agency for International Development							
Trade credit insurance program	(275,000,000)	(200,000,000)	(200,000,000)	(200,000,000)	(-75,000,000)	---	---
Total, Agency for International Development	---	---	---	---	---	---	---
Total, Export-Import Bank, new budget (obligational) authority	680,000,000	1,000,000,000	690,000,000	690,000,000	+10,000,000	-310,000,000	---
Total, title IV, export assistance	700,000,000	1,020,000,000	715,000,000	715,000,000	+15,000,000	-305,000,000	---
RECAPITULATION							
Total, titles I, II, III and IV:							
New budget (obligational) authority	14,310,759,197	15,367,612,412	13,197,479,404	13,067,504,237	-1,243,254,960	-2,300,108,175	-129,975,167
Definite	(14,310,759,197)	(15,367,612,412)	(13,697,479,404)	(13,067,504,237)	(-1,143,254,960)	(-2,300,108,175)	(-129,975,167)

Indefinite...............................	(100,000,000)	---	---	---	(-100,000,000)	---	---
Total NBOA (including Ex-Im)......................	14,310,759,197	15,367,612,412	13,197,479,404	13,067,504,237	-1,243,254,960	-2,300,108,175	-129,975,167
Memoranda:							
(Limitation on obligations)..................	(315,870,000)	(350,000,000)	(236,865,000)	(250,000,000)	(-65,820,000)	(-100,000,000)	(+13,135,000)
(Limitation on guaranteed loans)............	(11,700,464,000)	(10,250,000,000)	(10,300,000,000)	(10,325,000,000)	(-1,375,464,000)	(+75,000,000)	(+25,000,000)
(Limitation on direct loans)................	(703,000,000)	(1,031,000,000)	(719,250,000)	(725,000,000)	(+22,000,000)	(-306,000,000)	(+5,750,000)